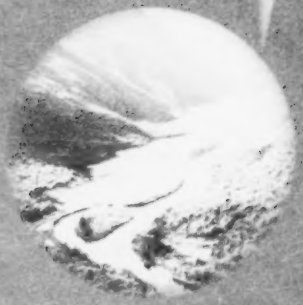
Building Beyond Gaming

Annual Report 2002

loto-québec



Loto-Québec's Mandate

While Loto-Québec has been operating lotteries since its creation in 1969, the successive establishment of the casino, restaurant, video lottery, bingo and multimedia activity sectors has enabled the Corporation to significantly diversify the variety of games it operates. Today, in line with its mission to increase the number of tourists frequenting its casinos, Loto-Québec even manages a hotel — the Hilton Lac-Leamy — which opened its doors last October.

Loto-Québec's mandate encompasses five fundamental objectives sustained by a firm social conscience.

Social Responsibility: To fully assume its responsibilities as a good corporate citizen by sharing the fruits of its operations with the various communities and regions of Québec and extending the scope of its activities related to the prevention of compulsive gambling.

Integrity and Credibility: To remain steadfastly vigilant in assuring the integrity and credibility of its games and the transparency of its activities.

Expansion: To diversify its activities by developing appropriate new games and markets within Québec and abroad.

Competence and Expertise: To maintain its leadership position within its activity sectors by promoting the development of essential skills and expertise.

Performance: To maximize its net income by offering the best possible entertainment products and services.

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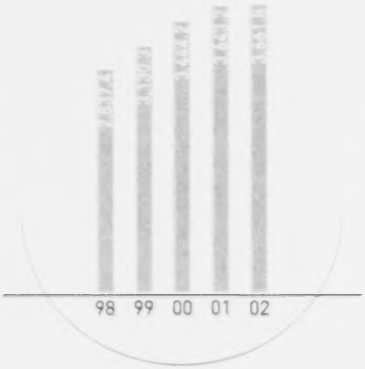
Financial Highlights

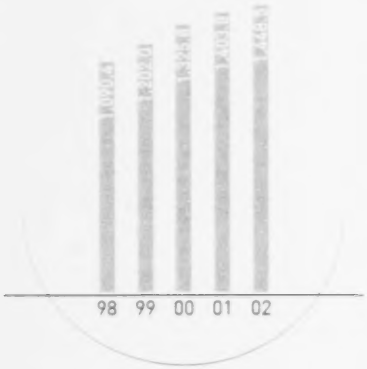
Key Results

As at March 31
(in thousands of dollars)

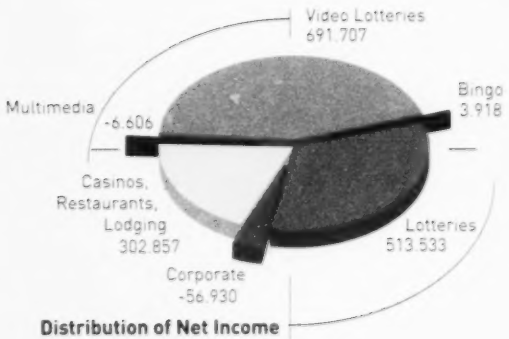
	2001	% change
Total Revenue	3,643,212	0.5
Lotteries	1,825,528	-1.8
Casinos	696,471	4.4
Restaurants	66,355	3.8
Lodging	-	
Video Lotteries	1,053,047	1.4
Bingo	41,044	-3.4
Multimedia	540	69.8
Prizes awarded - lotteries	952,674	-2.8
Prizes awarded - bingo	18,600	-3.4
Gross profit	2,160,034	3.7
Net income	1,403,758	3.2
Dividends	1,330,500	-0.9
Other amounts contributed to the Québec and Canadian governements	127,660	-3.5
Total assets	729,501	19.1
Shareholder's equity	160,015	20.6



Total Revenues
in millions of dollars



Net Income
in millions of dollars



Distribution of Net Income
in millions of dollars

Financial Highlights

As at March 31
(in thousands of dollars)

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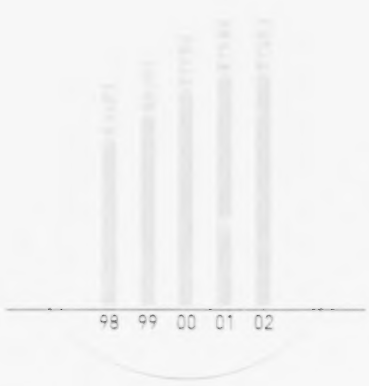

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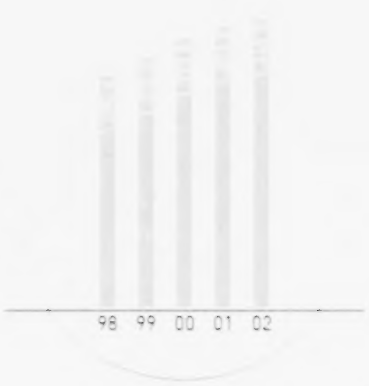
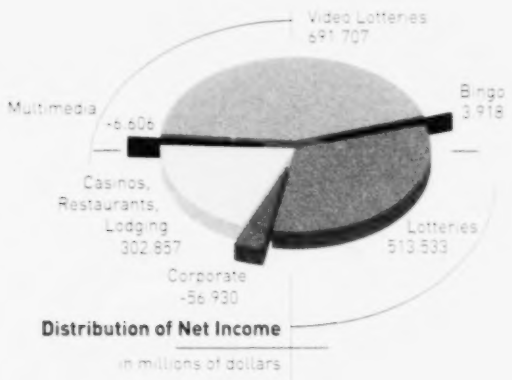
in millions of dollars



Net Income
in millions of dollars



Distribution of Net Income
in millions of dollars

Social Highlights

Authorized Personnel

Loto-Québec and Subsidiaries
As at March 31

Year	Management	Others	Total
1998	821	4,429	5,250
1999	866	4,715	5,581
2000	893	5,081	5,974
2001	871	4,948	5,819
2002	910	5,407	6,317

Training 2001

Sectors	No. of Training Days	% of Payroll	Average per Employee (days)
Loto-Québec	1,905	2.4	2.50
SCQ	7,205	1.5	1.68
Resto-Casino	3,630	2.6	2.81
SLVQ	237	2.7	5.15
SBQ	66	2.6	2.28
Ingenio	97.5	3.6	1.99

Daycare Centres 2001

Les Minis	Les Casinours	Au pays des anges
500 Sherbrooke W.	327 Bridge	Casino du Lac-Leamy
62 places, including 12 in the nursery	80 places (day) 20 places (night)	Opening: January 2001 80 places (day) 25 places (night)

Academic Grants and Internships for Handicapped Individuals

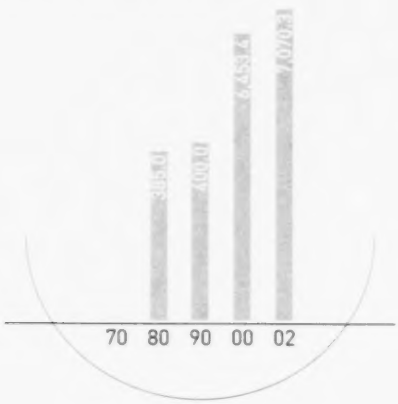
Year	Available	Filled
1998	10	7
1999	10	6
2000	10	8
2001	12	11
2002	12 (in progress)	

Contributions

(in thousands of dollars)

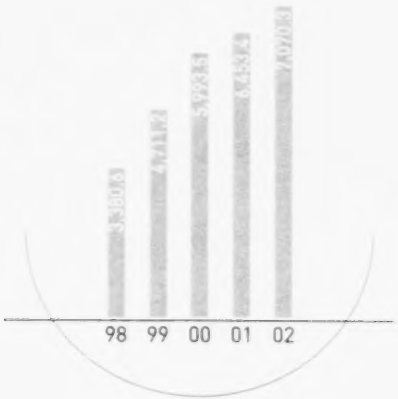
Contributions to the fonds d'aide	2001	2000	1999	1998
Fonds d'aide à l'action communautaire autonome	14,643	13,623	14,278	11,831
Fonds d'aide à l'action humanitaire internationale	2,929	2,725	2,855	2,366
Contributions to the Québec Government				
Ministère des Finances (SONACC) *(financing of various projects and activities aimed at revitalizing the horseracing industry)*	12,569	11,640	9,668	6,822
Ministère des Finances (SONACC) *(special contribution to increase funds for regular racing programs and special events)*	7,200			
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ) *(financing of various agricultural projects: breeders' associations, farm shows)*	5,000	5,000	5,000	1,250
Ministère de la Santé et des Services sociaux *(financing of services for dependent seniors)*				
Ministère de la Santé et des Services sociaux *	3,000	3,000		
Ministère de la Sécurité publique * * *(financing of the assistance program for compulsive gamblers)*				
Ministère des Affaires municipales *(financing of various organizations, projects and activities in the sports and recreational sectors)*	500	600	800	
Ministère de la Culture et des Communications *(subsidies awarded to cultural organizations, including* Théâtre du Trident, *the* Orchestre Symphonique de Québec *and the* Grands Ballets Canadiens*)*			3,000	
	28,269	20,240	18,468	8,072

Social Highlights



Evolution of Loto-Québec's Sponsorship Investments 1970-2002

in thousands of dollars



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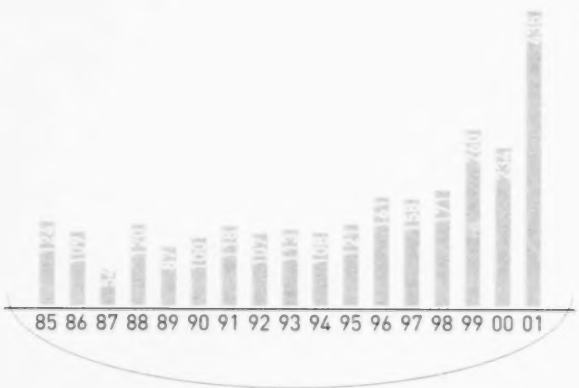
Distribution of Sponsorship Investments in 2001-2002

Sectors	%
Loto-Québec	59.8
Popular Festivals	0.2
Amateur Sports	1.0
Outdoor	41.1
Cultural	6.0
"Opinion Leaders"	11.5
Société des casinos du Québec	0.1
Casino de Montréal	26.2
Casino de Charlevoix	1.6
Casino du Lac-Leamy	12.3
Total	100.0



Loto-Québec Collection Acquisitions 1985 - 2001

in number

Loto-Québec Collection Acquisitions 1985-2002

in thousands de dollars

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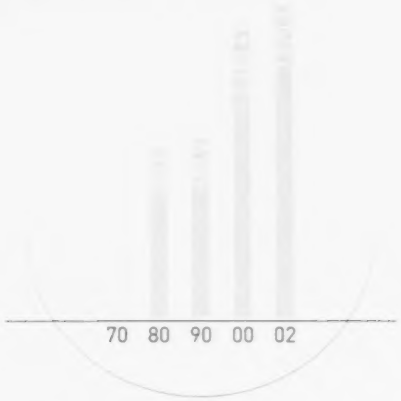

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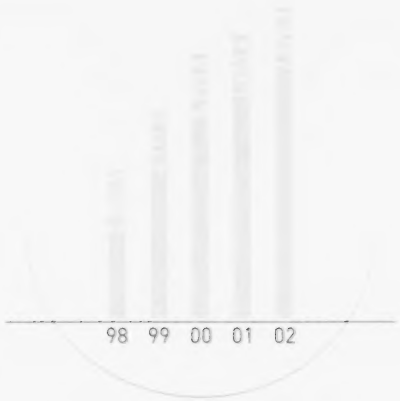

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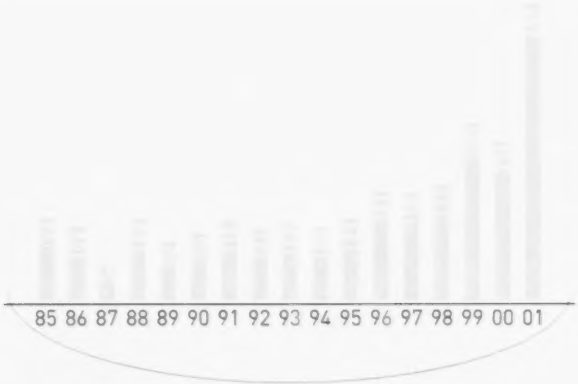
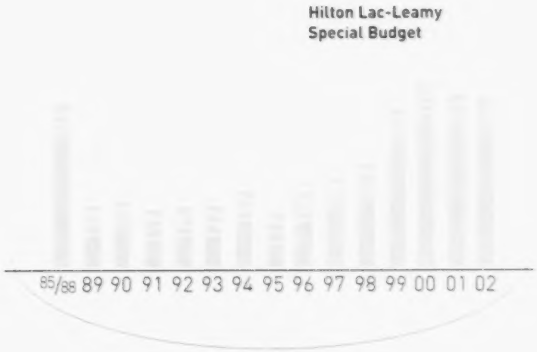


Loto-Québec Collection Acquisitions 1985 - 2001

in number



Loto-Québec Collection Acquisitions 1985-2002

in thousands de dollars

MESSAGE FROM THE PRESIDENT

On February 18, 2002, I assumed the position of President and Chief Executive Officer of Loto-Québec, and in so doing, I accepted the formidable challenge that the Deputy Premier and Minister of State for the Economy and Finance, Ms. Pauline Marois, had entrusted me with. The 2001-2002 fiscal year had almost terminated upon my arrival, and the financial and other results reported in the proceeding pages are just about entirely attributable to the efforts of my predecessor, Mr. Michel Crête, to whom I would like to pay enthusiastic tribute.

It was in August 1991 that Mr. Michel Crête took over the reigns of Loto-Québec, which, at that time, with a workforce of 600, was involved in one sole activity sector — lotteries — and which posted a net income of approximately $443 million. Under Mr. Crête's impetus, the Corporation underwent a spectacular evolution, diversifying its activities markedly and establishing a number of new subsidiaries — the Société des casinos du Québec, Resto-Casino, the Société des loteries video, the Société des bingos, Ingenio, filiale de Loto-Québec and Casiloc. In the process, Loto-Québec's workforce has grown to over 6,300 and its net income to more than $1.4 billion.

During the course of his mandate, Mr. Crête literally propelled the Corporation to its current position as a world leader in the gaming industry. And, with the creation of the Charlevoix and Lac-Leamy hotel and recreational sites, Loto-Québec has become one of the key partners of the province's tourism industry. On behalf of all of us at the Corporation, I would like to take this opportunity to commend and congratulate him for the years he has dedicated to Loto-Québec and for his many outstanding accomplishments which Québec and all Québecers will benefit from for a long time.

Building Beyond Gaming

Among my first observations upon joining Loto-Québec was to what extent the Corporation's many social actions go unrecognized by the public at large, and sometimes, even by the employees themselves. That is why this year's Annual Report, entitled *Building Beyond Gaming*, presents a series of charts and tables illustrating the various sums invested by the Corporation directly in the community.

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Be it through its extensive sponsorship program, its corporate art collection, its efforts to combat compulsive gambling, or its close collaboration with non-profit organizations (NPOs), the Québec population reaps significant benefits from the active community presence of Loto-Québec and its subsidiaries. Over the past fiscal year, the Corporation contributed $14.5 million to the Fonds d'aide à l'action communautaire autonome and $2.9 million to the Fonds d'aide à l'action humanitaire internationale. Moreover, the reduction in the rate of commission offered to video lottery terminal (VLT) operators from 30% to 26% has enabled Loto-Québec to pay $30 million to the Ministère de la Santé et des Services sociaux in order to finance various services for dependent seniors, as well as $18 million to support assistance programs for compulsive gamblers. In addition, the Ministère de la Sécurité publique received $2 million to help combat compulsive gambling.

Committed to the Community Now More Than Ever

Once again this past year, Loto-Québec lent its support to the province's horseracing industry in the form of a $23.7 million financial contribution. We also contributed a total of $5 million again this year to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation in compensation for the disappearance of fairground casinos. And, from the standpoint of tourism infrastructures, after investing $6.5 million in 2000 for repair work on the Hautes-Gorges-de-la-Rivière-Malbaie National Park scenic road, this year, the Corporation injected another $6 million in the development of reception infrastructures that will make the site accessible year-round.

The acquisition of the *Marie-Clarisse* schooner represents another major investment in the community. Having undergone a complete restoration this past winter, the *Marie-Clarisse* will be offered to non-profit organizations free of charge to hold their financing activities. These organizations have held the exclusive rights to the sale of Lotomatique subscriptions for the last 25 years, and during fiscal 2001-2002, they shared a total of $1.4 million in commissions on these sales.

Some 15,000 NPOs also benefit from the activities of the Société des bingos du Québec (SBQ). Created in 1997, the SBQ has contributed 70% of its annual profits to these organizations, translating this past fiscal year into $9 million. Moreover, I have recently announced that, as of the next fiscal year, the SBQ will contribute 100% of its profits to NPOs.

Loto-Québec is actively present within the cultural and artistic milieus as well, having invested $7 million in the form of sponsorships. We have also allotted one hundredth of 1% of our total income to the acquisition of new works of art to be integrated into the Loto-Québec Collection.

More than just gaming, Loto-Québec represents 6,317 employees, millions of dollars in taxes and purchases of goods and services, hundreds of jobs at supplier companies, as well as a reputation of excellence recognized around the world. One of my key objectives over the coming months will be to promote a better awareness of the numerous positive impacts Loto-Québec's presence has on Québec society.

From an operational standpoint, in order to improve organizational effectiveness, I have consolidated all of the Corporation's activities and those of its subsidiaries under three Senior Vice-Presidents and a General Secretariat. The responsibilities of the Senior Vice-President of Commercial Affairs encompass the lotteries, casino, restaurant, video lottery, bingo and multimedia activity sectors. The Senior Vice-President of Corporate Affairs oversees the Corporate Vice-Presidencies of Human Resources, Communications and Public Affairs, Information Technologies and Security. Thirdly, the Corporate Vice-Presidencies of Finance and Administration and Real Estate, as well as the Strategic Planning sector all come under the responsibility of the Senior Vice-President of Financial Affairs. And finally, the functions of the Corporate Secretary and Vice-Presidency of Legal Affairs have also been consolidated. As such, Loto-Québec's senior management team is now comprised of three Senior Vice-Presidents, a Corporate Secretary and myself as President and Chief Executive.

A Year of Winning Results

Taking a closer look at the sectors grouped under the Senior Vice-Presidency of Commercial Affairs, we see that their combined gross profit of $2.239 billion was up by 3.7% compared to the previous fiscal year, while net income was at $1.448 billion, up 3.2% over the last reporting period. Within this Vice-Presidency, the lottery sector remains the Corporation's spearhead, with gross revenues of $1.793 billion and lottery retailers receiving commissions in the order of $123.2 million. I would also like to take this opportunity to underline the outstanding efforts of the *Célébration 2001* team. This televised event was the recipient of a special award for Best Production at the North American Association of State and Provincial Lotteries (NASPL) convention.

The activities of the Société des casinos du Québec were most notably marked this past year by the inauguration of the Lac-Leamy recreational and tourist site. This development project included a 25% expansion of the Casino du Lac-Leamy's gaming area and the construction of the Hilton Lac-Leamy Hotel (349 rooms and suites), a 1,001-seat performance hall and a new conference centre able to accommodate 1,600 people. Inaugurated in October 2001, we are convinced that this site will significantly contribute to increasing the number of visitors and tourists coming to the Casino and to the Outaouais region as a whole.

From a financial perspective, Québec's casinos enjoyed a remarkable year, posting gross revenues of $727 million, an increase of 4.4% over the previous reporting period. Having welcomed 6.75 million visitors, the Casino de Montréal remains the most popular of the three gaming houses, with total sales of $486.7 million. The year also marked the arrival of Sic Bo and 5¢ slot machines at the facility. The Casino du Lac-Leamy generated very positive results as well, despite the inconveniences related to the construction work, recording gross revenues of $197 million. For its part, the Casino de Charlevoix registered gross income of $43.2 million. And, on a final note, our Resto-Casino subsidiary responsible for managing the bars, restaurants and performance halls in the State casinos was honoured for the second consecutive year with the coveted Five-Diamond rating. The distinction was presented by the AAA and CAA/CAA-Québec to the Casino du Lac-Leamy's *le baccara* and the Casino de Montréal's *Nuances* restaurants.

The Société des loteries video du Québec (SLVQ) also reported a growth in total sales, up 1.4%, with profits totalling $691.7 million. One of the highlights of the year was the authorization by the Government to replace its existing network of 14,300 VLTs which date back to 1993. This has become necessary due to the fact that the costs of maintenance and repair actually had become greater than the replacement cost. Furthermore, the new equipment will allow for the introduction of a series of measures aimed at preventing compulsive gambling. In response to a request by the Deputy Premier and Minister of State for the Economy and Finance, Ms. Pauline Marois, the SLVQ is also diminishing its number of terminals in place by 1,000 — a target which will be attained by November 2002. And, in line with our commitment to social responsibility, the SLVQ held a series of information sessions for retailers focused on the risks of excessive gambling. As at March 31, 2002, 87% of our retailer network had participated in these sessions.

Finally, created a few short years ago and dedicated to innovation and development within the interactive multimedia gaming sector, the Corporation's Ingenio subsidiary continued its successful penetration into export markets. For example, the French-speaking Switzerland Lottery has purchased and launched the CD-ROM-based *Trésors de la Tour*™ and *Mozaïc* lotteries developed by Ingenio.

Numerous Ambitious Projects Underway

With regards to the Senior Vice-Presidency of Corporate Affairs, numerous projects were initiated over the course of the past fiscal year and are currently being implemented. Among these is the Iris project, which involves the revision of all of our lottery computer platforms. Within the Human Resources sector, we have concentrated considerable attention on pay equity. Under the banner of our Communications and Public Affairs Vice-Presidency, we have undertaken the redesign of all our Internet sites. And, our Corporate Security team has implemented a brand-new security system.

For its part, the Senior Vice-Presidency of Financial Affairs also had an active year, and among its various initiatives, the implementation of a new integrated finance and procurement software package is almost complete. Casiloc is successfully

proceeding with the construction of a new multi-level parking facility adjacent to the Casino du Lac-Leamy, along with the Manoir Richelieu Golf Course expansion project in Charlevoix. And, the Strategic Planning sector is currently preparing a set of new indicators to enable us to better measure our performance.

Be it from a legal standpoint, with respect to internal auditing, or in terms of the issues surrounding compulsive gambling, Loto-Québec's General Secretariat is also faced with a number of important challenges. In addition to the major task of day-to-day management of the Corporation's administrative affairs, the Secretariat is called upon to support the senior management team in the formulation of critical decisions, particularly within the context of legal affairs and compulsive gambling.

The Challenges of Tomorrow

Fuelled by these positive results handed down by my predecessor and supported by an exceptional team of dedicated colleagues, as the new President and Chief Executive Officer of Loto-Québec, my sights are firmly set on the future. Indeed, our key mandates are crystal clear: combat and prevent the effects of compulsive gambling, increase the number of tourists frequenting our gaming houses, and maintain Loto-Québec's dividends at their current level.

Last March 12th, during a presentation to the Metropolitan Montréal Board of Trade, I announced a preliminary series of measures focused on compulsive gambling which will be at the heart of our actions over the months and years to come.

First, we have created the *Mise sur toi* Foundation, with an annual operating budget of $2 million, and we have established the 1 866 SOS-JEUX telephone hotline to provide information and assistance. We have also decided that, henceforth, 20% of all radio and television commercial airtime will be devoted to promoting the *Mise sur toi* Foundation and telephone help line. In the future, no lottery products will be targeted at any particular customer group. And finally, the odds of winning for each type of lottery will be indicated on tickets.

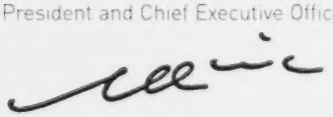
With regards to the video lottery sector, the replacement of our terminals between now and November 2002 will allow us to introduce a number of preventive measures such as a clock indicating the time spent playing, a reduction of the number of games offered by each unit, the display of credit values in dollars, and a general slowdown in the pace of each game. The new units will also be black in colour, with warning messages and the 1 866 SOS-JEUX hotline number displayed in large characters. Moreover, the Régie des alcools, des courses et des jeux du Québec has agreed to implement a self-exclusion program in collaboration with bar owners which will be similar to the one already in place at Québec casinos.

Another important challenge for the coming years is to boost the number of tourists visiting our gaming houses. Over the past several weeks, we have strengthened our partnership with the Convention and Tourism Bureau of Greater Montréal and Tourisme Québec. This close collaboration, in conjunction with the installation of new equipment, promises to produce concrete results in the short-term.

Finally, probably our most compelling challenge is to maintain our revenues at their current levels for the years to come. The Québec Government has indicated its intention not to increase the gaming offer in the province. Therefore, we must turn our attention to external markets, and our Ingenio and Nter Technologies subsidiaries will play an integral role in this regard. Nter Technologies is a 50/50 joint venture created with CGI. With the usual support of our 6,300 dedicated employees, I am fully confident that we will meet all the major challenges that await us.

In conclusion, I would like to take this opportunity to thank the members of Loto-Québec's Board of Directors for their warm welcome. I would also like to extend my best wishes to Ms. Francine De Montigny La Haye, who left the Board last January.

Chairman of the Board
President and Chief Executive Officer



Gaétan Frigon

BUILDING ON THE PREVENTION OF COMPULSIVE GAMBLING

The Prevention of Compulsive Gambling: A Top Priority

Upon completion of its three-year (1998-2001) compulsive gambling prevention program, Loto-Québec effected a fundamental change in direction in response to the Québec Government's decision to implement a new sharing of responsibilities between the Corporation and the Ministère de la Santé et des Services sociaux. At the same time, the Government also announced a strengthening of measures related to scientific research, prevention and the treatment of compulsive gambling, allocating a budget of $20 million for 2001-2002 derived entirely from Loto-Québec coffers. Moreover, the Corporation established an internal budget of $4.3 million to support its own initiatives in this area.

As such, Loto-Québec transferred all scientific research and prevention activities to the Ministère de la Santé et des Services sociaux corresponding with the parameters of the experimental assistance program for compulsive gamblers established by the Ministry in 2000. In light of this shift, the Corporation is now concentrating its efforts in line with its business mission and role as a good corporate citizen, committed to offering a gaming environment which is both entertaining and safe and secure for the general public.

Loto-Québec is dedicated to continuing its efforts to sensitize its clientele to the risks associated with gaming and the importance of gambling responsibly. In that regard, during the spring of 2001, the Corporation proceeded with the second phase of its public awareness campaign, widely promoting the number for its Gambling Help and Referral hotline.

Furthermore, Loto-Québec offered 11 information days to coordinators of Regional Health and Social Services Boards, as well as to 200 psychosocial specialists with training in the treatment of compulsive gamblers. The purpose of these sessions was to present as much information as possible about how games of chance work to people on the front line helping players suffering from gambling related problems. Loto-Québec also played a major role in the organization of the *Connaître, comprendre et agir* Forum on compulsive gambling held in Montréal November 8-9, 2001 and aimed at bringing people working in the milieu together to establish a common vision for effective prevention strategies.

As part as of the experimental program on compulsive gambling implemented by the Ministère de la Santé et des Services sociaux, a vital emergency service for players in a crisis situation or state of distress was started up in collaboration with the Maison Jean Lapointe Support Centre. Services similar to this are also in the process of being established at the Casino du Lac-Leamy in collaboration with the 24/7 Support Centre, and at the Casino de Charlevoix with the Génésis Resource Centre. Moreover, the self-exclusion program reported 1,528 contracts signed during 2001-2002, with the number of active contracts as of March 31, 2002 totalling 3,283 in the three casinos.

As for the video lottery sector, a number of measures were taken over the course of the year to promote responsible playing. In the spring of 2001, for example, the Société des loteries video, in collaboration with the Québec Centre of Excellence for the Prevention and Treatment of Compulsive Gambling affiliated with Laval University, began a special program to increase awareness about the risks of excessive gambling among owners of establishments operating video lottery terminals (VLTs).

A brochure entitled *Video Lotteries and Chance* was also produced for mass distribution and is offered at all establishments equipped with VLTs.

In May 2001, a series of new measures was announced by the Deputy Premier and Minister of State for the Economy and Finance, Ms. Pauline Marois. These include a 10%, or $2.4 million, reduction of the advertising budget in the lottery sector as well as a decrease in the total number of video lottery terminals in place from 15,300 to 14,300 by November 2002. In addition, by the end of 2002, the new generation of VLTs will be equipped with new displays designed to help prevent excessive gambling. For example, they will be fitted with a clock which will remain clearly visible on the screen at all times, and players will indicate the amount of time they wish to play (15, 30, 45 or 60 minutes). A module explaining the concept of chance will also be integrated into the units, and credit values will be displayed in dollars.

Upon assuming his new appointment as President and Chief Executive Officer of Loto-Québec in February 2002, Mr. Gaétan Frigon made compulsive gambling his priority by implementing an ambitious action plan to combat this problem which touches the lives of 2.1% of the Québec population.

A series of measures complementary to those proposed by Ms. Marois was also announced. For example, in addition to the steps outlined previously, VLTs will henceforth have to feature a number of other specific characteristics, including black surfaces to replace the existing chrome, making them less visually "flashy", and warning messages about compulsive gambling, with the 1 866 SOS-JEUX hotline number prominently occupying the upper portion of each terminal. The number of different games offered will also be reduced from 23 to 10, and the maximum number of games per terminal will be limited to five. The game playing speed will be decreased to prevent players from stopping the tumblers by touching the screen, and the maximum wager admissible per session will drop from $100 to $60. Finally, VLTs in all establishments will be deactivated and inoperable outside of the hours authorized by the establishments' liquor permits, and all sites will prominently display warning messages about compulsive gambling, along with the 1 866 SOS-JEUX help line number.

Similarly, the Société des casinos du Québec will henceforth display the same warning messages and hotline number in its casinos, particularly on slot machines. Available 24 hours a day, 7 days a week, the 1 866 SOS-JEUX hotline offers players and their loved ones valuable support provided by a team of qualified specialists.

Last March, Mr. Frigon also announced the creation of *Mise sur toi*, a Foundation dedicated to the prevention of compulsive gambling and modelled after the Société des alcools du Québec's successful Éduc'alcool program. The *Mise sur toi* Foundation will be allotted a minimum budget of $2 million annually.

In parallel with these initiatives aimed at combating the dependence on gambling in general, Loto-Québec has developed new preventive measures specifically adapted to each gaming sector. Some of these have already been put into place. Others will be implemented more progressively during fiscal 2002-2003.

With respect to the lottery sector, for example, Loto-Québec has decided to publish the odds of winning on the back of all instant, passive and online lottery products. The Corporation has also put an end to all product promotions targeting particular groups or ethnic communities. As well, 20% of all television commercial airtime is now to be devoted to promoting the 1 866 SOS-JEUX hotline and to presenting a warning about compulsive gambling.

All of these initiatives implemented by Loto-Québec during fiscal 2001-2002 reflect the Corporation's heightened attention and concern about the problems related to compulsive gambling. The Corporation intends to maintain this issue as its top priority in line with its commitment to fulfilling its social role and responsibilities.

La fondation Mise sur toi, une initiative de Loto-Québec.

BUILDING ON OUR COMMITMENT TO COMMUNITIES

Sharing with Communities: A Long-Standing Social Commitment

Every day, Loto-Québec conducts its operations by combining its commitment to social responsibility with that of fulfilling its commercial objectives. For over 30 years, the Corporation has successfully assumed its role of being a good corporate citizen while succeeding in maintaining its position as the most profitable government enterprise, with its revenues benefiting the entire population and contributing to the financing of numerous educational, social, cultural and sports programs.

In fact, Loto-Québec's social mission takes several forms — from providing financial support to non-profit organizations, to contributing to the Fonds d'aide à l'action communautaire autonome and the Fonds d'aide à l'action humanitaire internationale, to helping sustain the Québec visual arts milieu, to financial participation in the development of the cultural and tourism sectors.

Lotomatique and Lottery Kiosks

Loto-Québec's commitment to non-profit organizations (NPOs) dates back a quarter of a century when, in November 1977, the Québec Government awarded these organizations the exclusive right to sell Lotomatique subscriptions. Numbering 1,174 in all, NPOs fall into six principal categories: social, sports and recreational clubs, and humanitarian, health, cultural, business and educational organizations. This past year, over $1.4 million was contributed to these NPOs in the form of commissions, representing an increase of 10.5% over the previous fiscal year.

Also in 1977, upon the request of the Québec Government, the management and operation of all lottery kiosks was entrusted to non-profit organizations. As of March 31,2002, 82 NPOs were active in the operation of 122 kiosks located primarily in shopping centres. For fiscal 2001-2002, Loto-Québec's total financial contribution to non-profit organizations equalled $10.2 million.

NPOs benefit from the sale of network bingo industry

As announced by the Corporation's President and Chief Executive Officer, all profits generated by the Société des bingos du Québec (SBQ) will henceforth be contributed to non-profit organizations. More than ever, this decision serves to underline the SBQ's important social role within the bingo industry as over 1,500 NPOs now benefit from the sale of network bingo products as a principal source of financing.

In fact, since 1997, the SBQ has contributed over 70% of profits generated by network bingo products to participating non-profit organizations, translating into approximately $9 million per full year of operation.

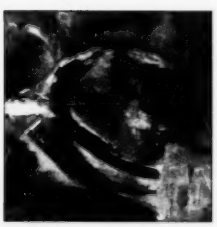
Fonds d'aide à l'action communautaire autonome
Each year, Loto-Québec contributes 5% of the Société des casinos du Québec's (SCQ) and Resto-Casino's net income to the Fonds d'aide à l'action communautaire autonome. This Fund is administered by the Secrétariat à l'action communautaire autonome du Québec (SACA), under the auspices of the Ministère de l'Emploi et de la Solidarité sociale. Loto-Québec's contribution enables the SACA to grant subsidies to literally hundreds of community organizations throughout Québec. In 2001-2002, the Corporation contributed a total of $14.531 million to the SACA.

Fonds d'aide à l'action humanitaire internationale
Every year, Loto-Québec also devotes 1% of the SCQ's and Resto-Casino's net income to the Fonds d'aide à l'action humanitaire internationale, a program administered by the Secrétariat à l'aide internationale du Québec, under the auspices of the Ministère des Relations internationales. The Corporation's annual contribution totalled $2.906 million as at March 31, 2002.

In addition to these sums, Loto-Québec contributed $79 million to the Québec Government for the financing of numerous organizations, projects and services. Among these were a range of agricultural projects and services for dependent seniors.

Development of Hautes-Gorges-de-la-Rivière-Malbaie National Park
In April 2000, Loto-Québec became the principal investor in a project to rebuild the access road leading to Hautes-Gorges-de-la-Rivière-Malbaie National Park. This $6.5 million investment, aimed primarily at bringing the 17-kilometre non-paved road into conformance with safety standards, clearly illustrates the Corporation's commitment to participating actively in the development of tourism within the Charlevoix region. $8 million of construction work was carried out under the auspices of the Regional Municipality of Charlevoix-Est, in collaboration with the Société des établissements de plein air du Québec (Sépaq) and Loto-Québec. The road was officially inaugurated in October 2000.

In the spring of 2002, Loto-Québec initiated some new investments as part of its effort to make the site accessible to visitors year-round. As such, the Corporation will allocate $6 million to the development of new reception infrastructures which promise to induce more visitors to come discover this wonderful natural landmark.



The *Marie-Clarisse* Schooner
Acquired by Loto-Québec in the spring of 2001 for the purposes of promoting tourism in the Charlevoix region and helping to finance non-profit organizations (NPOs), the *Marie-Clarisse* schooner played host to close to 15,000 visitors during the 2001 summer season.

Built in Shelbourne, Nova Scotia in 1923, the *Marie-Clarisse* is one of the very few wooden schooners to have survived the ravages of World War II. While certain chapters in its history remain obscure, we do know that the sailing ship had a close brush with disappearance in February 1975, when

it sank in the Port of Québec City's Louise Basin. Only the masts of the *Archie F. Mackenzie*, as it was known at the time, pierced the water's surface. Recovered and then refurbished at Île-aux-Coudres, the 39.6-metre (130-foot) schooner had numerous vocations before finally being classified as a cultural asset by the Québec Ministry of Cultural Affairs in 1978.

After being meticulously restored, caulked and repainted this past winter at the Charlevoix Maritime Museum, the *Marie-Clarisse* has resumed service in all her glory and will be sailing the Saint Lawrence this summer, travelling from Montréal to Pointe-aux-Pic, where she will remain docked until mid-September. As such, the magnificent vessel will be fulfilling her role as a major tourist attraction, rekindling the grand era of great sailing ships in the Charlevoix region. At the same time, in line with its commitment to being a good corporate citizen, Loto-Québec is offering the *Marie-Clarisse* free of charge to NPOs as an ideal venue to hold their financing activities. In fact, more than 50 NPOs are intending to organize fundraising cruises aboard the schooner this summer. Any individual or private companies may also rent the *Marie-Clarisse*, provided that they agree to contribute the entire cost of the rental to a non-profit organization of their choice affiliated with Loto-Québec.

At the Heart of Major Events

Under the banner of its extensive sponsorship program, Loto-Québec once again enriched the quality of life of countless Québecers with a vast array of events large and small, both local and province-wide. In fact, during 2001-2002, the Corporation invested a total of $7 million in the form of sponsorships and support of public festivals, amateur sports, outdoor activities, cultural and "opinion leader" events. Committed to being at the heart of such major events, the Corporation maintains an active presence throughout Québec, broadening access to culture, music and a host of other activities.

Art Collection

Since 1979, Loto-Québec has been actively promoting the dissemination of contemporary art in Québec, while lending its valuable support to the artistic community.

Each year, the Corporation allocates one hundredth of 1% of its total revenues to the acquisition of paintings, drawings, prints, sculptures and other fine works of art. Reflecting the diversity of contemporary artistic movements and trends, the Loto-Québec Collection is comprised of a vibrant array of works by more than 700 local artists and opens the doors of its *Gallery* wide to allow non-profit organizations to hold their fundraising activities in a truly unique setting.

BUILDING ON OUR PERFORMANCE... LOCALLY AND ABROAD

Senior Vice-Presidency of Commercial Affairs

Last March, the President and Chief Executive Officer of Loto-Québec modified the organizational structure of the Corporation's upper management, creating a new level comprised of three Senior Vice-Presidents.

As a result, Loto-Québec's commercial activities have been consolidated under the authority of a Senior Vice-President of Commercial Affairs, Mr. Jean Royer. The new Senior Vice-Presidency ensures better coordination of the business activities of all Loto-Québec subsidiary companies, which, nevertheless, maintain autonomy over their respective operations. The new organizational structure establishes priorities for each, in addition to allowing for the assessment and recommendation of projects to senior management requiring the authorization of the Board of Directors.

The new Management Committee of the Senior Vice-Presidency of Commercial Affairs is comprised of Messrs. Jean Royer, Senior Vice-President, Claude Trudel, President of Operations for the Société des loteries video du Québec and the Société des bingos du Québec, Robert Ayotte, President of Operations for Lotteries, Claude Poisson, President of Operations for la Société des casinos du Québec and Resto-Casino, as well as Ms. Nathalie Rajotte, Managing Director of Ingenio.

Lotteries: As Popular and Prized As Ever

Accounting for almost 50% of Loto-Québec's total sales, lotteries generated revenues of $1.793 billion in fiscal 2001-2002.

The most popular lottery among consumers remains *Lotto 6/49*, with over 70% of Québec adults having played the game at least once over the past 12 months. Despite a decline in sales, which is quite normal for a game that will be celebrating its 20th anniversary in June 2002, *Lotto 6/49* is still highly appreciated by lottery enthusiasts and various revitalization projects are currently being examined.

The *Super 7* lottery is increasingly gaining in popularity, and for equal jackpots, its sales are growing markedly year after year. As chance would have it, however, jackpots were less numerous in 2001-2002, which translated into a decline in total sales compared to the previous year. This downturn, of course, also had a negative impact on *Extra* sales. However, efforts to boost the rate of participation in *Québec 49* did bear fruit. In fact, it was quite remarkable that *Québec 49* sales remained stable despite *Lotto 6/49*'s slowdown.

For its part, *Banco* had an exceptional year, with sales jumping to $17 million thanks to the launch of *Banco Spécial* in April 2001.

La Quotidienne also maintained its forward momentum of the past few years, posting an 8% increase in sales over the previous fiscal year.

Instant lotteries recorded an even more dramatic progression, their sales climbing by $18.3 million as compared to 2001-2002. This major increase can be attributed to the success of *MultiJeux* and the popularity of *Gagnant à vie*, which offers players the chance to win $1,000 a week for life.

Moreover, the fourth quarter marked the launch of the televised game, *Métropoli$, La cite du Million*, which attracted close to one million viewers each week.

Following the example of the instant lotteries, Special Editions also proved highly successful during 2001-2002, with the combined sales of *31 Jours de Chance* and *Célébration 2002* up by 16% over the previous reporting period. Staged at the Théâtre du Casino du Lac-Leamy, the *Célébration 2002* draw and show was a dazzling event in a brand-new performance hall attracting one and a half million viewers at home. On a related positive note, *Célébration 2001* was awarded a special prize as Best Television Production at the North American Association of State and Provincial Lotteries conference held in October 2001 at Albuquerque, New Mexico.

As at March 31, 2002

	Sales in thousands of dollars	% change	Prizes awarded in thousands of dollars	% change
	2000-2001		2000-2001	
ONLINE LOTTERIES				
Lotto 6/49	461,956	-8.7	220,478	-8.1
Super 7	243,586	-8.3	141,946	-15.3
Québec 49	64,797	-0.3	30,455	-0.3
Extra	156,456	-5.6	69,861	-5.6
Banco	107,560	15.8	52,705	16.3
La Quotidienne	25,829	7.7	11,623	7.7
Subtotal	1,060,184	-4.7	527,068	-6.5
INSTANT LOTTERIES				
Regular and entertainment-type	579,974	1.8	318,006	1.8
Televised	41,525	23.5	24,959	11.9
Multimedia	11,164	-16.1	5,861	-16.1
Subtotal	632,663	2.9	348,826	2.3
TRADITIONAL LOTTERIES				
La Mini	14,894	-4.4	6,554	-4.4
Teleactive games	42,669	-11.4	25,723	-8.2
Special Editions	32,771	15.6	17,817	19.8
Subtotal	90,334	-0.5	50,094	2.3
SPORTS BETTING	42,347	0.4	26,685	-4.4
TOTAL	1,825,528	-1.8	952,673	-2.8

Commissions to Retailers

1997-1998	107.7
1998-1999	114.0
1999-2000	121.3
2000-2001	124.7
2001-2002	

Financial Support to NPOs

	No. of NPOs	
1997-1998	725	10.596
1998-1999	755	10.173
1999-2000	917	10.067
2000-2001	1,058	10.347
2001-2002	1,174	

Distribution of Retailers by Terminals per Region

As at March 2002

		%		%
Montréal and Northwestern Québec	3,728	33.1	2,799	33.9
Montréal and Southeastern Québec	3,931	35.0	2,873	34.8
Eastern Québec	3,589	31.9	2,584	31.3
TOTAL		100.0		100.0

Distribution of Retailers by Business Category

As at March 31, 2002

		%
Tobacco and convenience stores	5,116	45.5
Food	2,058	18.3
Financial institutions	1,093	9.7
Other service businesses	1,641	14.6
Pharmacies	807	7.2
Miscellaneous	329	2.9
Itinerant sellers	69	0.6
Kiosks	135	1.2
Total		100.0

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The Sales Network: A Vital Key to Success

These positive results are not only the outcome of developing and offering appealing products to the consumer. They are also very much the product of the concerted efforts of Loto-Québec's sales force, business partners, retailers and associated non-profit organizations.

In fact, lottery ticket sales generated in excess of $123 million in commissions for the Corporation's 11,248-member retailer network. A recent study conducted for Loto-Québec among this network revealed that the majority of retailers were very satisfied with the service offered by the Corporation, underlining the professionalism, competence and courtesy of its 130 entrepreneur wholesalers.

Supporting Community Action

Loto-Québec has a long-standing partnership with non-profit organizations (NPOs), having entrusted them with the operation of sales kiosks in shopping centres and the exclusive right to sell Lotomatique subscriptions. During the past fiscal year, 118 new organizations were accredited, bringing the total number to 1,174. Of these, 82 have assumed the operation of 122 kiosks, and the entire network of NPOs received close to $10.2 million from the Corporation during fiscal 2001-2002. A special recognition program was also established to underline and pay tribute to the exceptional performance and customer service offered by these organizations.

Loto-Québec's commitment to its communities was further illustrated by its support for the social mission of NPOs. Sales kiosks are now clearly identified with the names of the respective organizations operating them, and some 30 representatives of these organizations were provided with an opportunity to explain their mission to TV viewers in brief interviews held during *La Poule aux Œufs d'Or* broadcasts. As such, over a million viewers were familiarized each week with the social contributions being made by these humanitarian organizations.

Network Improvements

A new corporate identification initiative is underway to replace the former displays at Loto-Québec retailer locations. Simple, but with a more contemporary allure, the new displays will integrate harmoniously with the design of today's points of sale.

Among other improvements designed to facilitate operations for the Corporation's business partners is a new *Promotions* key integrated into the V3000 terminal which will allow retailers to track their sales at all times. As for corporate retailers, they are now able to receive their statements electronically. In addition, thanks to the creation of an Extranet, wholesalers now have access to a valuable tool for exchanging information which will enable them to continuously improve the quality of their customer service.

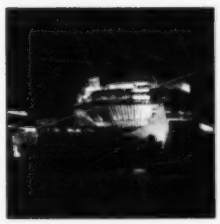
La Société des casinos du Québec: Fuelling Tourism and the Economy

Among the most notable highlights marking the past fiscal year for the Société des casinos du Québec (SCQ) was the inauguration, in October 2001, of one of Québec's most prestigious hotels — the Hilton Lac-Leamy. Located in Gatineau, this superior-class establishment offers all the amenities possible to combine work with rest and relaxation, and is an excellent reflection of the SCQ's growing role in the development of the region's economy and tourism industry.

Over the years, the SCQ has made quality entertainment one of its major hallmarks, with the diversification of services offered by its three casinos testifying to its continuous commitment to combining the pleasures of gastronomy with gaming, recreation and relaxation.

Maintaining its tradition of positive performance, the SCQ posted total gaming revenues of $727 million in 2001-2002. In all, its three casinos in Montréal, Charlevoix and Lac-Leamy recorded 11 million visits during the year, a significant increase over the previous reporting period.

Within the research and development sector, the year was marked by the introduction of Sic Bo tables and new 5¢ video games.



Group Visits

Three casinos, one common statistic: the number of groups visiting each gaming house was up by 9% during the past fiscal year. Moreover, thanks to its effective promotional campaigns, the SCQ was highly successful in attracting visitors from outside Québec, recording a 16% increase in patrons from Ontario and the U.S.

The Hilton Lac-Leamy Hotel Site

A veritable jewel in the crown of the local tourism industry, the Hilton Lac-Leamy site along the Québec shores of the Outaouais River is comprised of a superior-category hotel, a 1,001-seat performance hall — the Théâtre du Casino —

As at March 31, 2002

	Revenue (in millions of dollars)		Visits		Busses	
	2000-2001	% change	2000-2001	% change	2000-2001	% change
Casino de Montréal	468.4	+ 3.9	5,603,000	+ 20.6	4,213	- 6.7
Casino de Charlevoix	39.5	+ 9.4	1,048,000	+ 7.5	1,925	+ 24.7
Casino du Lac-Leamy	188.6	+ 4.5	3,032,625	+ 10.15	2,077	+ 14.1

La Société des casinos du Québec: Fuelling Tourism and the Economy

Among the most notable highlights marking the past fiscal year for the Société des casinos du Québec (SCQ) was the inauguration, in October 2001, of one of Québec's most prestigious hotels — the Hilton Lac-Leamy. Located in Gatineau, this superior-class establishment offers all the amenities possible to combine work with rest and relaxation, and is an excellent reflection of the SCQ's growing role in the development of the region's economy and tourism industry.

Over the years, the SCQ has made quality entertainment one of its major hallmarks, with the diversification of services offered by its three casinos testifying to its continuous commitment to combining the pleasures of gastronomy with gaming, recreation and relaxation.

Maintaining its tradition of positive performance, the SCQ posted total gaming revenues of $727 million in 2001-2002. In all, its three casinos in Montréal, Charlevoix and Lac-Leamy recorded 11 million visits during the year, a significant increase over the previous reporting period.

Within the research and development sector, the year was marked by the introduction of Sic Bo tables and new 5¢ video games.

Group Visits

Three casinos, one common statistic: the number of groups visiting each gaming house was up by 9% during the past fiscal year. Moreover, thanks to its effective promotional campaigns, the SCQ was highly successful in attracting visitors from outside Québec, recording a 16% increase in patrons from Ontario and the U.S.

The Hilton Lac-Leamy Hotel Site

A veritable jewel in the crown of the local tourism industry, the Hilton Lac-Leamy site along the Québec shores of the Outaouais River is comprised of a superior-category hotel, a 1,001-seat performance hall — the Théâtre du Casino —

As at March 31, 2002

	Revenue (in millions of dollars)		Visits		Busses	
	2000-2001	% change	2000-2001	% change	2000-2001	% change
Casino de Montréal	468.4	+ 3.9	5,603,000	+ 20.6	4,213	- 6.7
Casino de Charlevoix	39.5	+ 9.4	1,048,000	+ 7.5	1,925	+ 24.7
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an ultra-modern conference centre able to accommodate 1,600 people, a main dining room — *Arôme* — a European-style spa, along with a variety of sports and recreational facilities.

The hotel, conference centre and performance hall have significantly contributed to increasing the number of visits to and revenues generated by the Casino du Lac-Leamy, already a major tourist attraction in the region.

The Casino du Lac-Leamy: Five Sensational Years . . . Five Memorable Days

Several months after celebrating its fifth anniversary over the course of five magnificent days between March 21 and March 25, 2001, on January 1, 2002, the Casino du Lac-Leamy officially adopted its new name as a means of reinforcing the strong connection between the hotel and the Casino. Today, the Lac-Leamy site has become vividly synonymous with nature, the great outdoors, exciting entertainment and restful relaxation.

Now in its sixth successful year of operation, the Casino du Lac-Leamy recorded revenues of $197 million and a total of 3,340,450 visits in 2001-2002, up by 10.15% over the previous year.

Since its inauguration in 1996, the gaming house has played host to over 19,000,000 visitors in all, and on August 11, 2001, it broke its attendance record by welcoming some 20,000 patrons on that single day. The Casino expects to receive its 20 millionth visitor some time during the summer of 2002.

In view of this soaring popularity, the Casino proceeded with an expansion project, increasing its gaming area by a little over 25%, or 2,137 m² (23,000 ft²), in order to be able to accommodate an additional 454 slot machines and 9 new gaming tables bringing their total number to 1,864 and 64 respectively. Since July 6, 2001, 70% of the gaming area has been designated non-smoking.

The Casino-du-Lac-Leamy offers a host of varied pleasures, including a Keno lounge, three fine restaurants (*Le baccara*, *Banco* and *Le Café*), two bars to relax in (*La marina* and the *777*), a banquet hall (the salon *Royal*), a private lounge (*L'exécutif*), an exhibition area and a brand-new art gallery.

The *Promenade du roi* and *Corrid'Art* The Casino du Lac-Leamy also serves as a vibrant window on the creative talents of local artists. During 2001-2002, five expositions were presented along the *Promenade du roi*, and since February 28, 2002, the *Corrid'Art* Gallery located near the employee entrance has showcased numerous works created by the Casino's very own staff.

The Théâtre du Casino du Lac-Leamy

A new, ultra-modern performance hall — the Théâtre du Casino — officially opened its doors on September 21, 2001. Located in the Casino itself, this Italian-style theatre has a 34-metre (112-foot) stage and features state-of-the-art technical installations. The maximum distance between the seats and the stage never exceeds 25 metres (82 feet), thus making for a highly intimate atmosphere and connection between audience and performer.

The theatre played host to some 50,000 spectators this past fiscal year and presented more than 12 productions (140 individual shows), including 30 matinees. Among the performances that garnered rave reviews were the *Danse Sing* and *Les Crooners* musical revues, the *Dubois en chanteur* intimate one-man show, and the international percussion fiesta *Beat*.

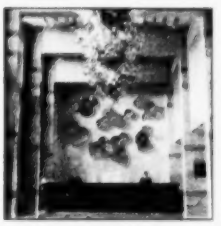
The Hilton Lac-Leamy: A Choice New Destination

A colourful array of outstanding activities complemented the official inauguration of the Hilton Lac-Leamy Hotel on October 27, 2001, and their success echoed across the country to provide the establishment with instant prominence and notoriety.

With all the attributes of a first-class resort centre, this urban hotel complex located in Gatineau features a total of 349 rooms and suites, a number of excellent restaurants, cafes and informal eating places, a fitness centre, a spa and two swimming pools, all connected to the conference centre, the Théâtre du Casino and the Casino du Lac-Leamy itself. Owned by Loto-Québec and managed under the Hilton banner, in December 2001, the hotel obtained the coveted Five-Star rating from the Québec Tourism Industry Corporation. The site is truly multi-faceted, serving as an excellent economic stimulus for the surrounding region.

From the restaurant standpoint, the performance figures are equally positive. Although the hotel opened its doors three months later than planned, revenue targets were nevertheless reached, and even surpassed by $558,000. In fact, the Banquet Department has served more than 84,000 patrons since October 15, 2001. And the lodging sector's results compare just as favourably. Despite the reduced numbers of groups traveling and the overall negative trends in the international travel industry, as of the month of December, lodging revenues per available room were up 21% compared to average revenues posted by the 39 major hotels located in the Ottawa region.

The Hilton Lac-Leamy Conference Centre offers its business clientele a versatile selection of modular halls to choose from, each featuring state-of-the-art meeting and business equipment, as well as a full range of services, from excellent food to simultaneous translation.



Resto-Casino, a subsidiary of Loto-Québec, is responsible for managing the bars and restaurants located in the Corporation's three casinos, as well as in the Hilton Lac-Leamy Hotel and its conference centre. Once again this year, the subsidiary's hotel and restaurant services were distinguished by excellence.

Havens of high gastronomy, the Casino du Lac-Leamy's *le baccara* Restaurant and the Casino de Montréal's *Nuances* received the prestigious Five-Diamond rating from the AAA and CAA/CAA-Québec for the second consecutive year. Figuring among the most coveted distinctions in the industry, the Five-Diamond rating is synonymous with the finest in gourmet fare. Only five restaurants in Canada, including three in Québec, have been awarded this high honour. This past fiscal year was also marked by visits from a number of world-renowned chefs — Serge Dansereau of Australia and David Van Laer and Frédéric Bourse of France — their presence drawing even greater attention to these exceptional dining rooms.

Under the direction of the Casino de Montréal's Executive Chef, Jean-Pierre Curtat, the restaurant teams are constantly being challenged to push the envelope, not only to maintain their distinctive recognition from year to year, but most importantly, to continuously tantalize and surprise a clientele whose tastes and expectations are becoming more and more discerning. In fact, the team at the *Nuances* is not unaccustomed to being recognized with awards of distinction. Holding the Debeur Guide's highest Five-Star rating, the *Nuances* has also been ranked as one of the 100 best restaurants in Canada by readers of Air Canada's *EnRoute* Magazine. For their part, *le baccara* and the Casino du Lac-Leamy's Executive Chef, François Hanchay, have also received numerous honours, including the *Table de prestige*, a distinction presented by the Grand prix du tourisme québécois en gastronomie to only 11 dining rooms in Québec.

The Casino de Montréal and Its Cabaret

As popular an attraction as ever, the Casino de Montréal recorded 6,755,000 visits and total sales of $486.8 million in 2001-2002. The facility houses 124 gaming tables and more than 3,000 slot machines, as well as a High Stakes slot machine area.

In accordance with existing tobacco legislation, 60% of the Casino's surface area is now reserved for non-smokers, and for its part, the Cabaret du Casino has recently become an exclusively non-smoking venue.

On September 26, 2001, the Casino de Montréal's *Nuances* Restaurant was awarded a brand-new distinction — the "Award of Excellence" for 2002 — presented by Distinguished Restaurants of North America, an independent association headquartered in Monterey, California.

The Cabaret du Casino de Montréal proudly celebrated its fifth anniversary on September 13, 2001. A truly unique performance hall, both in terms of its design and its programming, the Cabaret reinforced its position during fiscal 2001-2002 as a choice venue on the Montréal scene. In addition to increasing its number of matinee performances, the Cabaret offered brunch shows on Sundays and two performances on Saturday and Sunday evenings. Between April 1, 2001 and March 31, 2002, the theatre staged a total of 251 evening performances and 169 matinees.

The Casino de Charlevoix

A major economic engine for its surrounding region, the Casino de Charlevoix pursued its positive performance during the past fiscal year, with revenues up by 7.5% to $43.2 million. Thanks to its highly successful promotional campaigns and packages, the number of visits to the gaming house rose significantly, the number of motor coach tours increased by 25%, and a total of 800 casino packages were sold during the year. In fact, the Casino's results for 2001-2002 were the best since 1994.

The Casino de Charlevoix houses 780 slot machines, 22 gaming tables, a Keno lounge, a High Stakes section and two bars. The facility celebrated its seventh anniversary in June 2001.

The Fairmont Le Manoir Richelieu Hotel

The century-old Fairmont Le Manoir Richelieu Hotel also enjoyed continued growth in its total number of guests, including more people during the low season than ever before in its history.

With snowmobiling ever growing in popularity, the hotel played host to the second edition of the Grand Assembly of Snowmobilers in February 2002. In fact, the establishment was fully booked, with some 430 enthusiasts of this winter pastime (30% more than last year) taking great delight in the event which included a special dinner and show.

The hotel also continued its efforts to attract greater numbers of tourists, targeting the northeastern U.S. in particular. This U.S. campaign continued throughout the summer of 2001, generating excellent results.

New Vice-Presidency at the SCQ

Created in June 2001, the Société des casinos du Québec (SCQ) Marketing Vice-Presidency encompasses the sales, research and development and marketing functions. Its mandate is to coordinate all the marketing activities of the three casinos in collaboration with the Hilton Lac-Leamy so as to support the common vision shared by each individual establishment.

Labour Relations

The working climate being always at the heart of the SCQ's daily preoccupations, an organizational survey was conducted this past year at all three casino locations, polling a total of 900 employees. The survey findings were communicated to the staff and strategic action plans have been implemented to optimize conditions at each facility.

La Société des bingos du Québec: Committed to Non-Profit Organizations More Than Ever

When created in 1997, the Société des bingos du Québec (SBQ) was entrusted by the Québec Government with the mandate to market network bingo games as a means of supporting non-profit organizations (NPOs) that rely upon bingo as a principal source of financing for their philanthropic activities. As such, the SBQ was directed to redistribute at least 50% of its profits or 20% of its total sales to NPOs holding bingo permits. Since 1997, the SBQ has contributed over 70% of network bingo profits to participating NPOs, representing approximately $9 million a year.

In his speech delivered to the Metropolitan Montréal Board of Trade last March, the President and Chief Executive Officer of Loto-Québec, Mr. Gaétan Frigon, announced that the Corporation would henceforth contribute all of the profits generated by the sale of network bingo products to non-profit organizations. On a recurrent basis, this measure will yield an additional $3 million, bringing the total annual contribution to approximately $12 million. Of course, this is an estimate based on the profits anticipated over the coming years.

After four years of operation, the SBQ posted total sales of over $39.6 million during fiscal 2001-2002, allowing for the distribution of $8.8 million to licensed NPOs, or 70% of profits earned.

Of the approximately 460 bingo halls in operation in Québec, close to 150 are currently part of the SBQ network, offering *Le Petit Tour*, *Le Grand Tour* and the optional *Éclair* daily.

Towards a Stronger Industry

In 2000, the principal players in the bingo industry were invited to discuss a reorganization aimed at revitalizing the bingo sector in Québec, with the primary objective of this initiative being to create greater economic benefits for NPOs.

A number of strategies and adjustments were set forth in a combined report which was approved by the Québec Cabinet in December 2000. Among the initiatives proposed were improvements to the management of bingo halls, the introduction of effective new controls, and the diversification of games.

Special Events to Add Some Flair

To help achieve its objectives of breathing new life into Québec's bingo sector, promoting its participating halls, and enhancing the entertainment value of the game, the SBQ organized a variety of special events and activities that have contributed to increased sales and greater revenues for NPOs. With the active participation of its partners, NPOs and bingo hall operators, the SBQ also orchestrated a series of promotions that sparked great interest among its clientele.

Among these, the *Bingo Vegas Event* provided 50 participants randomly selected from among network bingo players from all over Québec with an opportunity to take part in a spectacular evening of bingo at the Hilton Lac-Leamy Hotel. Another event — the *Bingo Show* — was organized around a "tropical" theme, with exciting festivities held at numerous bingo halls around the province.

Thanks to the popularity and success of these events, turnouts rose by 141%, sales increased by 226%, and overall notoriety of the game received a tremendous shot in the arm over the course of the 12 "shows".

Open Dialogue

Committed to maintaining ongoing communications with its clientele and NPO and hall operator partners, the SBQ regularly publishes its *Bingo!* and *Réseau* newsletters. Another valuable communications tool is its Internet site, which features a wealth of practical information, including a complete list of participating halls, an explanation of how network games operate, daily jackpot amounts, as well as online versions of its two publications. To obtain even more information, Web surfers are invited to submit their questions by e-mail. In fact, the SBQ even offers people involved in the industry the opportunity to visit its offices and witness how computerized draws are done.

Sales by Region

As at March 31, 2002

Region	No. of participating halls	No. of events	Approx. no of participating NPOs*	Net sales $	Commissions paid to operators $	Amounts distributed to participating NPOs $	Average sales per event $
Lower Saint Lawrence	7	922	26	490,513	24,897	97,553	532
Québec City	15	4,095	83	4,528,384	255,070	901,607	1,106
Chaudière Appalaches	7	1,048	25	913,039	46,785	181,555	871
North Shore	2	143	4	121,114	3,960	24,063	847
Saguenay-Lac-St-Jean	7	1,067	30	855,735	43,540	170,355	802
Mauricie, Bois-Francs	8	1,934	39	2,263,259	126,265	450,912	1,170
Estrie	4	924	21	1,035,485	57,063	206,076	1,121
Montérégie	23	5,465	109	7,438,964	420,432	1,480,923	1,361
Montréal	31	8,030	168	10,076,105	578,027	2,006,987	1,255
Abitibi-Témiscamingue	7	1,027	20	773,016	41,474	153,824	753
Outaouais	6	1,317	26	1,235,637	67,726	246,276	938
Laval	6	2,322	48	2,827,071	163,307	563,300	1,218
Laurentians	12	2,838	56	3,687,697	205,487	734,384	1,299
Lanaudière	12	2,164	44	2,834,870	152,870	564,475	1,310
Gaspésie	6	692	17	566,492	22,033	112,747	819
Total (excluding the Fund)	153	33,988	716	39,647,381	2,208,936	7,895,037	1,167
Fund: Amounts distributed to non-participating NPOs						887,949	
Grand Total for NPOs						8,782,986	

* RAC data is for 10 months (April 2001 to January 2002)

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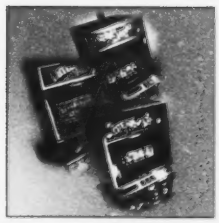
Video Lotteries: Fewer Terminals . . . Greater Prevention



The Société des loteries vidéo du Québec (SLVQ) posted total revenues of $1.067 billion as at March 31, 2002, yielding net income of $692 million and generating $281 million in commissions paid to retailers.

At the end of fiscal 2001-2002, the video lottery network consisted of 14,713 terminals installed at 3,828 establishments licensed by the Régie des alcools, des courses et des jeux du Québec, representing two terminals per 1,000 citizens — together with Alberta, the lowest rate in Canada.

On May 30, 2001, the Québec Government announced that the total number of video lottery terminals (VLTs) in place would be reduced to 14,300 by November 2002. 8 months prior to that date, the SLVQ was only 413 units short of meeting the objective.

The SLVQ Renews Its Confidence in Spielo and VLC

As the SLVQ's terminals are already 8 years old, used or malfunctioning parts are becoming harder and harder to obtain, and in some cases, will cease to be produced by certain manufacturers as of 2002-2003. Furthermore, starting September 2003, the firm VLC will stop producing the particular terminal currently being used by the SLVQ.

This also means that the Corporation's current units will not be able to benefit from the latest technological innovations related to network security, game integrity and administrative services available to retailers.

In light of this situation, the SLVQ launched a public tender to replace its entire inventory of VLTs. The tender officially closed in February 2002, and during fiscal 2002-2003, the SLVQ will be acquiring a total of 14,500 new terminals — 8,400 from VLC and 6,100 units from the Canadian firm Spielo. (100 units from each supplier are to be used for inventory management and will, thus, not go into commercial operation.) In all, this acquisition represents an investment of approximately $200 million, including the terminals, the stands, transportation and installation.

Shortly after the supply contracts were awarded, on March 12, 2002, the President and Chief Executive Officer of Loto-Québec, Mr. Gaétan Frigon, announced a series of measures to be implemented aimed at accentuating efforts to combat the excessive use of VLTs. Some of these measures have already been applied, while others will be put into place upon delivery of the new units.

Installation of the New Terminals and Implementation of Site Controllers

Installation of the new VLTs is expected to begin around the end of 2002, simultaneously with the implementation of new site controllers. These controllers will allow for the centralization of all administrative functions related to the operation of the units at a single site (refund coupon validation, equipment integrity, weekly billing, game history, reporting, etc.).

"Au hasard du jeu" Program

To promote education and social responsibility, the SLVQ, in collaboration with the Québec Centre of Excellence for the Prevention and Treatment of Compulsive Gambling affiliated with Laval University organized a series of information sessions on the concept of chance and compulsive gambling for its retailers.

As at March 31, 2002, 87% of retailers had participated in these sessions, demonstrating their interest in the promotion of responsible and reflective gaming behaviour. At the beginning of 2002, all retailers who had not yet registered for the session were sent a notice to attend. As stipulated in Section 42 of the Regulations on Video Lottery Terminals published by the Régie des alcools, des courses et des jeux du Québec, all holders of a permit to operate VLTs must attend training and information sessions organized by the Régie or the Corporation.

Rate of Return

The rate of return for video lottery players is set at about 92%. As such, for each dollar wagered, the player will win on average $0.92. This average is attained after millions of games played and takes into account the random aspect, the multiplicity of games, and the variety of possible prizes and combinations. It is the responsibility of the Laboratoire de certification et de vérification des appareils de jeux, a division of the Laboratoire des services judiciaires et de médecine légale under the auspices of the Ministère de la Sécurité publique, to verify and attest to the randomness and rate of return of all games featured on video lottery terminals.

Video Lotteries

	As at March 31, 2012
No. of terminals	14,713
No. of sites	3,828
No. of terminals per site	3.8
No. of terminals per 1,000 citizens	2.0

Revenues and Commissions

(in millions of dollars)

	Year ended March 31, 2012
Net income	1,067.5
Net profit	691.7
Commissions to retailers	281.1

Distribution of Sites and Terminals by Region

	As at March 31, 2012	
	Sites	**VLTs**
Laval – Lanaudière - Laurentians	552	2,282
Montréal	924	4,203
Québec - Chaudière-Appalaches	489	1,753
Mauricie - Bois-Francs	307	1,073
Estrie	268	963
Saguenay – Lac-Saint-Jean – North Shore	250	817
Lower Saint Lawrence – Gaspésie – Îles-de-la-Madeleine	189	538
Abitibi-Témiscamingue – Northern Québec	144	491
Montérégie	490	1,793
Outaouais	215	800
Total	3,828	14,713

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Ingenio: Securing Success Abroad

A subsidiary of Loto-Québec specialized in multimedia research and innovation, Ingenio is making its mark on the international scene as the leading reference for lottery corporations interested in entering the era of interactivity.

Designed and developed by Ingenio, the CD-ROM lottery concept is already firmly rooted in the instant lottery landscape. Since the February 2000 launch in the Québec market of *Trésors de la Tour™*, the first instant game in the world played on computer, CD-ROM-based lotteries have been introduced in Europe and the U.S. as well. In fact, during fiscal 2001-2002, the Loterie Suisse romande launched two CD-ROM games — *Trésors de la Tour™* and *Mozaïc* — representing Ingenio's second breakthrough in Europe for adapted versions of this patented concept, with Belgium having adopted it a year earlier. On the American front, the Kentucky Lottery Corporation followed on the heels of the State of Iowa in introducing *Treasure Tower™* to its market in March 2002. And, in English Canada, three members of the Western Canada Lottery Corporation — Alberta, Saskatchewan and the Northwest Territories — will jointly launch *Trio Royal* in their respective jurisdictions in the fall of 2002. Moreover, discussions are currently underway in a number of European countries, Canadian provinces and American states to identify which games would be best suited to their respective customer profiles.

Highly interactive and entertaining, offering the key advantage of using traditional lottery distribution networks, Ingenio's products have quickly acquired credibility and positioned the Company as a leader, unique among all suppliers of traditional games.

Since its creation in 1998, Ingenio has actively supported foreign corporations in their efforts to integrate new products, be it through marketing, market testing, or any other step along the way. However, Ingenio's expertise is not limited to CD-ROM lotteries alone. The subsidiary is also contributing to the development of products adapted to different technological platforms and destined for global markets.

An Entire Family of CD-ROM Games

Today, Ingenio's family of games includes five titles in all — *Trésors de la Tour™*, *Mot Mystère*, *Mozaïc*, *Trio Royal* and *Gong* — and three more games will be developed by the end of 2002.

From Concept to Completion

Thanks to its refined processes of ideation and development, Ingenio can be constantly assured of the market viability of its new games and of their compatibility with the tastes and desires of an adult clientele of occasional players. The concepts behind the games are tested on consumers during group discussion sessions held both in and outside Québec. The reactions and comments generated through these sessions then form the basis on which the concepts are fine-tuned and prototypes developed. These prototypes are, in turn, submitted to consumer groups as part of the quantitative research process. During 2001-2002, 19 different concepts and 7 prototypes were evaluated in this way.

A Major Presence Within the Multimedia Industry

Ingenio's international success is contributing significantly to the promotion and dissemination of Québec expertise as the Company is committed to using local multimedia firms to produce the visual and audio components of its games distributed within Québec and those marketed abroad as well.

Moreover, as part of its dedication to supporting the multimedia sector, Ingenio has become a partner-sponsor of the Québec Corporation of Entrepreneurs, each year offering a $5,000 grant to facilitate the start-up of a new enterprise working in the field of interactive multimedia entertainment. In addition, the Company has agreed to have an award of excellence bearing its name be presented during the National Animation and Design Centre of Montréal's annual gala for bursary recipients.

Finally, Ingenio participates in a wide range of networking activities, sponsoring such events as those organized by the NumericQC Alliance, the Québec network of digital industry professionals working in the multimedia and information superhighway sectors.

Senior Vice-Presidency of Corporate Affairs

In conjunction with the establishment of the new corporate structure, Mr. Marcel Croux was appointed Senior Vice-President of Corporate Affairs. In this role, he is directly responsible for the Human Resources, Communications and Public Affairs, Information Technologies and Corporate Security functions, as well as for overseeing business relations with Nter Technologies.

More specifically, Mr. Croux is responsible for the development and application of all programs and policies related to human resources within Loto-Québec and its subsidiaries, labour relations and negotiations, customer service within the lottery sector, lottery draws, all communications and public affairs activities for the Corporation and its subsidiaries, and the development, management and operation of lottery and game systems. He also oversees Loto-Québec's administrative systems and those of its subsidiaries and manages the partnership with Nter Technologies, while providing a range of technical support and assistance to the subsidiaries and developing and implementing security standards and procedures adapted to the specific installations and operations of the Corporation and its subsidiaries.

Prior to this recent appointment, Mr. Croux occupied a variety of strategic positions with numerous corporations.

The Management Committee of the Vice-Presidency of Corporate Affairs is composed of Messrs. Marcel Croux, Senior Vice-President, Jacques Plante, Corporate Vice-President of Human Resources, the Corporate Vice-Presidency of Communications and Public Affairs, Beaudoin Daigneault, Corporate Vice-President of Information Technologies, and Michel Gougeon, Vice-President of Corporate Security.

Human Resources

The Corporate Vice-Presidency of Human Resources is responsible for a wide range of operational activities, consulting services and organizational development initiatives in support of the strategic directions of all Corporate sectors.

Over the next few years, Loto-Québec will be carefully reviewing its workforce requirements as, similar to the situation within other organizations, many of its employees are likely to be opting for retirement starting in 2005. In order to properly prepare for that eventuality, Loto-Québec will encourage the hiring of a new wave of university graduates, to be groomed by its current experienced employees.

In light of the Corporation's growing personnel requirements, the Vice-Presidency of Human Resources has formed a special committee to define an effective communications strategy for recruitment and to review its tools for candidate selection.

The Hilton Lac-Leamy: An Engine for Job Creation

Continuing on the topic of employment, thanks to the opening of the Hilton Lac-Leamy Hotel, a total of 267 new jobs were created in the Gatineau region. In fact, at the eighth edition of the Gala des 500 held in Québec City in January 2002, the Hotel's Human Resources function received the distinction of "Job Creator of Québec" (Outaouais region) in the Desjardins Service and Commerce category.

Employee Orientation and Support Programs

Loto-Québec offers comprehensive orientation programs for all new employees, starting upon their arrival with a series of corporate integration days. This past year, more than 400 new employees had the opportunity to familiarize themselves with the organization's corporate culture and to take part in a one-hour training session focused on the problems associated with compulsive gambling. The Vice-Presidency also established a program to prepare employees for retirement, with particular emphasis on financial planning and psychosocial considerations.

As part of its commitment to simplify the life of its personnel, the Corporation operates three daycare centres — *les Minis*, *les Casinours* and *Au pays des anges* — located at head office, on Mill Street in Montréal, and in Gatineau respectively. Each year since 1990, the 62 places available at *les Minis* and in its nursery have been grabbed up quickly. Opened in the fall of 2000 and in early 2001 respectively, *les Casinours* and *Au pays des anges* are equally in demand, particularly as they operate 24 hours daily.

Arrival of REMPHOR

In the spring of 2001, Loto-Québec, the Société des loteries video du Québec, Ingenio and the Société des bingos du Québec adopted a computerized time management system which was already in use by a good number of employees at the Société des casinos. Known as REMPHOR, this software package eliminates the often laborious task of manipulating tens of thousands of time sheets and allows for the transmission of data directly to the payroll system. During the past fiscal year, the Corporation also conducted a thorough evaluation of all its payroll and human resources management system architecture in order to allow for one single entry of data in real time and to do away with parallel systems.

In the area of professional relations, the Vice-Presidency provided consulting support for the renewal and application of the 16 collective agreements in place. It also coordinated the renewal of the collective agreement between Resto-Casino (Casino du Lac-Leamy) and the Société des casinos du Québec employee union (CSN), as well as the negotiation of the first such agreement between the Société des casinos (Casino du Lac-Leamy) and the Canadian Union of Public Employees (CUPE).

Training and Development

In recognition of the fact that its employees constitute its most valuable asset, Loto-Québec offers extensive training and development programs to promote their professional growth and evolution.

This past year, the Corporation dedicated a total of $4 million to professional training and development, including the coordination of training activities for new employees of the Hilton Lac-Leamy.

During the course of the year, the Vice-Presidency also updated its numerous salary structures and developed a special computer system to manage compensation and working conditions. Moreover, as part of its social mission, it awarded 12 academic bursaries and internships to handicapped students at the college and university level.

With 156,000 paycheques issued, 1,625 new employees hired, 13,000 days of training conducted with a budget equivalent to 2.5% of total payroll, and with some 135 job classifications carefully reviewed, fiscal 2001-2002 was indeed an active and productive year for the Vice-Presidency of Human Resources.

Communications and Public Affairs

In line with its mission to sustain the brand image that serves to unite Loto-Québec, its subsidiaries and all of their components, the Vice-Presidency of Corporate Affairs adheres to the strictest principles of integrity and transparency in assuming its full range of responsibilities. These include the Corporation's draws, the payment of winners, information and customer services, media relations, corporate communications and the Art Collection. Indeed, the Vice-Presidency's mandate is of particular importance in light of its continuous contact with the public at large.

Conducting Draws with Perfect Precision

The importance of Loto-Québec's draws cannot be overestimated as they constitute the very core of the Corporation's credibility. That is why, during the 365 days of the year that standard draws are conducted, the process is governed by the most rigorous standards of integrity and transparency. Moreover, the televised lotteries spotlighting on-air winners such as *Lampe magique*, *Roue de fortune*, *Métropoli$*, *La cité du Million* and *Célébration* also demand and adhere to the most meticulous procedures. And, of course, the thousands of international matches that form the basis of the Corporation's sports betting games require the same ongoing and painstaking vigilance on the part of the Draws team.

Extending a Warm Welcome to Winners

Day after day, year after year, Loto-Québec has the genuine pleasure of presenting its winners with substantial sums of money. This past year, 670 winners of prizes of $50,000 or more were warmly received to a special reception and participated in brief interviews for subsequent publication in the media. The 186 winners of $10,000 and more playing the Société des bingos du Québec's games also received friendly reception, as did those who arrived at the Prize Claim counter to pick up a wide array of smaller prizes.

In all, Loto-Québec issued 370,000 individual winner's cheques worth a total of $218 million during the past fiscal year. Another 118,000 gifts won with the instant games *Surprises d'été* and *Cadeau Surprise* were also distributed from the Corporation's Montréal and Québec City offices and from certain participating Dumoulin retail outlets.

Finally, the Customer Service team was busy as usual over the course of the year, responding to the thousands of verbal and written requests for information as quickly as they were received.

Countless Visits in Cyberspace

As one of the most consulted Québec addresses on the Internet, Loto-Québec's Web site received over 10 million visits in 2001-2002, with lottery players searching for draw results constituting 90% of this traffic.

Of course, the picture wouldn't be complete without the additional 600,000 annual visits to the sites operated by the Société des casinos du Québec (SCQ), the three individual casinos, the Société des loteries video, the Société des bingos, Ingenio and the Hilton Lac-Leamy Hotel.

The object of a major makeover during the past fiscal year, the SCQ, casinos and Hilton Lac-Leamy sites are veritable storehouses of valuable information, including job postings, public tender announcements, statistics, mission statements, historical profiles, economic spin-offs and more.

Loto-Québec also uses the Internet to provide timely responses to consumer inquiries. In fact, the Corporation sent out a total of 4,000 personalized e-mail replies during fiscal 2001-2002.

Publications Brimming with Information

The Vice-Presidency of Corporate Affairs' responsibilities also include the preparation of various publications, including *Loto-Hebdo*, *VIP* and *En jeux*. With a circulation of 195,000 and designed specifically for consumers, *Loto-Hebdo* is an information bulletin published weekly and featuring the names and comments of lottery winners, as well as promotional information about new products. *VIP* is published bimonthly and is designed to inform Loto-Québec retailers about the various aspects of lottery sales, while *En jeux* is addressed primarily to employees of the Corporation and its subsidiaries. To ensure standardization and consistency, the Vice-Presidency takes great care to make certain that corporate graphic standards are respected in all of its publications.

Maintaining Relations with Media Near and Far

Unquestionably one of the most present and visible organizations in the public eye, Loto-Québec attracts tremendous media attention, translating into literally thousands of requests for information and interviews each year. In addition to answering the daily inquiries of the media, the Vice-Presidency regularly invites journalists from outside the province to come and discover the many attractions offered by the three casinos. In response, some 30 different tourism writers from abroad have prepared in-depth features on Québec's gaming houses this past year, as well as on the Lac-Leamy and Charlevoix hotel sites. Of course, the inauguration of the Hilton Lac-Leamy Hotel in October 2001 attracted a great deal of attention on the part of the Ontario and eastern American media in particular.

An Art Collection Reflecting the Colours of Contemporary Québec

Dedicated to the promotion of contemporary Québec art for over 20 years now, the Loto-Québec Collection augmented its range of activities during 2001-2002. As a complement to its standard budget, Casiloc injected an additional sum of $296,000 to allow for the acquisition of some 300 new works to decorate the public areas of the Hilton Lac-Leamy in Gatineau. Moreover, 2,000 reproductions of the Collection's works grace the 349 rooms of the deluxe hotel.

Thanks to significant investments like this, the Collection added 500 new works to its catalogue over the past year, bringing its total to 2,700 with an estimated value of over $3.5 million.

In line with its continuous commitment to supporting the local artistic milieu, the Collection also intensified its sponsorships of cultural events throughout Québec. Among the many events supported financially over the past year were the 2001 Biennale de dessins et d'estampes in Alma, the Montréal Urban Art Museum in summer 2001, Rencontre XI in Saint-Jean-sur-Richelieu, the Baie Saint-Paul Symposium de la nouvelle peinture in summer 2001, and the Biennale internationale d'estampe contemporaine in Trois-Rivières.

Selected by a jury made up of Loto-Québec employees and assisted by the corporate Curator, the Loto-Québec Collection's works enhance not only the quality of life of the communities in which they are regularly exhibited, but also of the employees and visitors to the Corporation's offices and casinos whose walls they gracefully adorn. Indeed, today more than ever, the Loto-Québec Collection is committed to its mandate of dynamically supporting and sustaining the rich artistic legacy of Québec.

Diverse Sponsorships: Supporting Community Events While Sustaining Corporate Visibility

A reflection of the Corporation's diversity and dynamism, its sponsorship program encompassed no fewer than 181 different events this past fiscal year, translating, in a sense, into one activity every two days, including festivals, amateur sports, and outdoor, arts and cultural events of all shapes and sizes.

While assuring its active presence in all Québec regions, Loto-Québec's sponsorship activities in major urban centres have been particularly popular and successful. In the Montréal area, for example, the Corporation was involved in 22 major events, including the Air Canada Grand Prix, the Just for Laughs Festival and the International Mosaicultures. Combined, these events attracted over 3.2 million visitors.

In the Québec City region, Loto-Québec sponsored 14 different events, including Les Grands Feux Loto-Québec and the Québec Carnival, attracting more than 1.3 million enthusiastic visitors.

The Corporation's visibility was further enhanced through its association with advertising campaigns for these special events worth a total of $7 million. In all, 14 of its sponsored events were televised, including La Soirée des Masques, and the Loto-Québec name or logo appeared on over 8 million printed items and more than 1 million show tickets.

As an integral part of fulfilling its social responsibility, Loto-Québec is firmly committed to remaining at the heart of community events through sponsorships like these in all corners of Québec.

Information Technologies

The Corporate Vice-Presidency of Information Technologies is mandated to develop and operate Loto-Québec's computerized game and game management systems.

Testifying to the team's accomplishments of the past fiscal year, the Corporation's game and lottery systems registered a respectable 99.95% performance and availability rate, particularly noteworthy in light of the fact that more than 429 million individual transactions were processed during the reporting period. Equally exceptional is the new record established with respect to the number of fault-free days at the game control centre — an impressive 711 days. These outstanding results are the direct result of the team's rigorous vigilance and vast expertise.

Another important accomplishment during fiscal 2001-2002 was the development of new architecture and the implementation of a complete network infrastructure for the Hilton Lac-Leamy designed to secure the various access points and ensure the integrity of the environments. This project represented a major contribution to the success of the new hotel site's inauguration.

Moreover, the scale and impact of the successful Iris project to replace the game and game management platform was confirmed with the deposition of the Project Organization Manual on September 15, 2001. Various analytical and functional activities related to the applications under the management of Nter Technologies were also pursued throughout the course of the year.

In order to maintain its revenues, Loto-Québec depends heavily on the development of new products and the servicing and support of existing games. As such, a number of successful new lottery projects were undertaken this past year, including *Banco Spécial* and *Bonus Prizes* for *Lotto 6/49*. Furthermore, the V2000 terminals were replaced with a more modern Keno terminal in the three casinos.

Finally, the "Draw Results Distribution" project, which involved the creation and implementation of an Extranet for use by the various media received special prizes this past year. Developed for and in collaboration with the Draws Department of the Vice-Presidency of Communications and Public Affairs, this innovative means of distribution was afforded special recognition at the Fédération de l'informatique du Québec's Octas award ceremony in June 2001. The project also received first prize in the "Lotteries" category of the *Smart Ideas Competition* at the Smart-Tech convention held in Atlanta in February 2002. These marks of distinction serve to further underline the effectiveness and outstanding expertise of Loto-Québec's Information Technologies team.

Nter Technologies: A Year of Positive Results and Promise

A private enterprise born out of a partnership between Loto-Québec and CGI, Nter Technologies offers advanced computer and system management solutions adapted to the needs of the gaming industry on a global scale.

Its first mandate is to develop the new lottery system for Loto-Québec and to export its know how. In addition, the joint venture continued to collaborate with Loto-Québec on the vast majority of its computer and data processing projects, including the design and development of numerous management systems, specific applications for televised lotteries and the control of network bingo, and an online training portal for the Société des loteries video. The year also saw Nter redesign a number of Loto-Québec's Internet sites.

The Iris Project

Under Nter's supervision, the Iris computer project designed to develop the next generation management system for Loto-Québec's games successfully completed its design phase and entered the realization stage. Iris will ultimately enable the Corporation to take full advantage of the marketing possibilities offered by emerging technologies and multimedia.

Two Major Contracts . . . and Sights Set On More

Thanks to its concerted marketing efforts, Nter Technologies won two important contracts in December 2001 — the first for Svenska Spel, the Swedish State Lottery, and the second for the Atlantic Lottery Corporation.

Nter was selected by Svenska Spel to determine the functional specifications for a future video lottery system, while the Atlantic Lottery Corporation has turned to the Company for its expert consulting services.

Nter Technologies promises to significantly enhance its recognition and influence through its continued efforts to market leading-edge high-tech products, the realization of a variety of other global mandates, and by applying a carefully structured business strategy targeted at emerging markets. Of course, CGI's active presence and support on the international scene will help further the market penetration of games developed by Nter. Representing significant business potential, the American market, for example, will be a particular focus of Nter's efforts during 2002-2003. Already present in Europe, the Company also intends to seize all available opportunities abroad to further promote its expertise, innovativeness and unique vision for the evolution of the gaming industry.

Finally, in parallel with these strategies, Nter will actively pursue its efforts to develop new products with strong market potential. In addition to its new platform for lottery management currently in development and to be adapted for the global marketplace, the Company will exploit the full potential of certain products that have already attracted the attention and interest of various organizations.

Corporate Security

Loto-Québec has built its reputation on vigilance, credibility, integrity and transparency — attributes that depend to a great extent on its vast expertise in the areas of security and surveillance.

According to surveys conducted regularly among Loto-Québec's clientele, the Vice-Presidency of Corporate Security has successfully established a climate of confidence within the Corporation's three casinos. In fact, the findings indicate that 90% of visitors feel safe and secure in these establishments.

During fiscal 2001-2002, the Vice-Presidency mobilized the enthusiasm and energy of its various teams in order to effectively implement a number of major projects.

The Hilton Lac-Leamy and Casino du Lac-Leamy Expansion

The past fiscal year proved extremely busy for the Vice-Presidency, with the opening of the Hilton Lac-Leamy and the final phases of the Casino du Lac-Leamy expansion project placing great demand on the team's expertise for the establishment of comprehensive security standards and measures.

The Cardex System

The Vice-Presidency also proceeded with upgrading its EBI access software and designed a most valuable tool — the Cardex system. Accessible at all times, this computerized database greatly facilitates file management, while helping to standardize management procedures and document coding. Originally implemented three years ago, the system has been considerably fine-tuned this past year so that, with only a few clicks, duly authorized personnel can now obtain photos, statistics, information on self-exclusion files and a variety of other pertinent information.

Participation in the Iris Project

Among its other activities, the Vice-Presidency of Corporate Security took part in the Iris project, more specifically, in the development of its security architecture and improved security solutions related to bank transactions and the transmission of electronic messages.

Training

Finally, given the complexity of today's surveillance equipment and the high degree of precision required from technicians, the Vice-Presidency of Corporate Security, in collaboration with the Human Resources Consulting Services Department, implemented a personalized self-training program enabling security personnel to perfect their knowledge and expertise at their own pace.

Senior Vice-Presidency of Financial Affairs

Last March, Mr. Gille Dufour was appointed Senior Vice-President of Financial Affairs, responsible for finance, administration, and strategic planning and development. Among his specific responsibilities are the control of budgets and financial systems for Loto-Québec and its subsidiaries, supply services, management of the Corporation's insurance portfolio, the implementation of real estate projects, the management and maintenance of Loto-Québec-owned buildings, general services, as well as overall accountability for the subsidiary Lotim. From a strategic planning standpoint, Mr. Dufour is also in charge of ensuring that the programs and initiatives of the various administrative units and subsidiaries are aligned with corporate values, priorities and objectives.

The Senior Vice-Presidency of Financial Affairs' Management Committee is comprised of Messrs. Gille Dufour, Senior Vice-President, Gérald Houle, Corporate Vice-President of Finance and Administration, Jean-Claude Champagne, Corporate Vice-President of Design and Construction, and Yvan Cossette, Corporate Vice-President of Strategic Planning.

Casiloc: Building for the Future

Another of Loto-Québec's subsidiaries, Casiloc is responsible for all construction projects, the acquisition of buildings and equipment, and the leasing of space for the casinos. The subsidiary is also in charge of purchasing immovable goods for the lottery, video lottery and bingo sectors.

Fiscal 2001-2002 was a year brimming with challenges for Casiloc, including the inauguration of the Hilton Lac-Leamy Hotel site and the Théâtre du Casino, the restoration of the *Marie-Clarisse* schooner, participation in the Hautes-Gorges-de-la-Rivière-Malbaie National Park development project, the expansion of the Fairmont Le Manoir Richelieu Golf Course and the commencement of work on the Casino du Lac-Leamy multi-level parking lot.

Hilton Lac-Leamy Hotel Site

The Hilton Lac-Leamy site construction project generated the creation of 850 new jobs and required 1,500,000 hours of work to complete. The site was inaugurated in October 2001, after a total investment of $210 million.

An integral part of the site, construction of the 1,001-seat Théâtre du Casino began in February 2000, and the new performance hall was inaugurated on September 21, 2001.

For its part, the Casino du Lac-Leamy saw its gaming area expanded by 1,500 m^2 (16,145 ft^2), and by November 2002, it will include a new five-level parking lot with space for 1,660 vehicles. In addition, renovation work was also carried out on the Casino's *Banco*, *Le baccara* and *Le Café* restaurants, as well as on the *La marina* bar.

Restoration of the *Marie-Clarisse*

Allocating an overall budget of $1.2 million, Loto-Québec entrusted the Charlevoix Maritime Museum with a mandate to meticulously restore the *Marie-Clarisse* schooner. In order to meet the seaworthiness and security standards of Transport Canada, the vessel's comprehensive makeover included the replacement of major structural elements, its hull, mast, decks, cabin, onboard electricity and plumbing, as well as a variety of other equipment.

Throughout the project, the original character of the schooner was carefully preserved in accordance with its classification in 1978 as a cultural asset. Finally, in order to facilitate mooring the *Marie-Clarisse*, a new $200,000 dock was added to the harbour located at the foot of the Casino de Charlevoix.

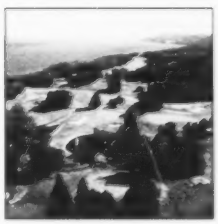
Hautes-Gorges-de-la-Rivière-Malbaie National Park Development Project

In April 2002, Loto-Québec announced that it would contribute to the development of the Hautes-Gorges-de-la-Rivière-Malbaie National Park, one of the most beautiful natural sites in Québec. Thanks to this financial support, the Park will feature a variety of new recreational equipment and functional buildings, including a reception pavilion, parking facilities, a restaurant, terraces, walking trails, a mini power station, an observatory, a dock and a pontoon.

Subsequent to the $6.5 million injected in 2000 for the development of the Hautes-Gorges panoramic route, Loto-Québec agreed to invest $6 million in the Park project, estimated to cost a little over $9 million in total. Under the auspices of the Société des établissements de plein air du Québec (Sépaq), development work was scheduled to commence during the spring of 2002.

Fairmont Le Manoir Richelieu Golf Course Expansion

Always a preferred destination for golfers, the Fairmont Le Manoir Richelieu saw work commence in the fall of 2001 to expand its golf course, including a new practice green and improvements to the water supply infrastructures. Furthermore, with the addition of nine holes (totalling 27 by 2005), the site will certainly become even more of a choice destination for both business and pleasure travelers alike.



Lotim inc.

Loto-Québec's subsidiary, Lotim inc., owns 50% of the building located at 500 Sherbrooke Street West in Montréal in partnership with SITQ National Inc., a subsidiary in turn of the Caisse de dépôt et placement du Québec. Situated in the heart of downtown, it serves as Loto-Québec's head office.

Over the past two years, the building has enjoyed a 100% occupancy rate, reflecting the economic growth of the 1990s. In the midst of this growth, there were virtually no commercial spaces available in the area and the high occupancy had a very positive impact on the businesses in and around the building which also felt the financial benefits of the high level of traffic.

The end result has been a stability of revenues and net profits. In fact, net operating profit grew from $3.407 million during the previous fiscal year, to $3.489 million as of March 31, 2002, an increase of 2.4%.

Strategic Planning

Loto-Québec has adopted a business plan which clearly defines its directions and corporate strategies in accordance with the mandate entrusted to it by the Québec Government, as well as with the Corporation's fundamental values and priorities. As such, this business plan serves as the basis for the development of all operational plans for its major sectors.

The Strategic Planning Corporate Vice-Presidency also monitors and follows up on Loto-Québec's principal projects, maintaining a sort of road map with performance indicators and consolidating all the data on expenditures on games of chance, market evolution and games being offered, primarily in Canada and the U.S.

Finance and Administration

Given the scale of its revenues and great diversity of its activities, the Corporation must be equipped with and apply the most rigorous financial and administrative procedures. This major responsibility is incumbent upon the Vice-Presidency of Financial and Administrative Affairs and involves effective operational support and constant control of transactions and operating costs.

Particular attention must be paid to maintaining the transparency of purchasing and the selection of suppliers. Moreover, the Corporation spares no effort in obtaining the best possible quality-price ratio when acquiring its goods and services. Over the course of the past year, the total value of purchases made by Loto-Québec and its subsidiaries from their 1,327 suppliers was in the order of $521 million, of which 82% originated from Québec companies.

During 2002-2003, the Corporation will be installing a fully integrated ORACLE finance and procurement software package, which will greatly facilitate the achievement of corporate objectives while enhancing the overall efficiency of management processes. This software package features a set of specific modules, including general ledger, budget, supplier accounts, cash flow, supply and services, inventory and fixed assets. Offering remarkable flexibility and versatility, the new package will replace a number of non-integrated and outdated individual systems that are no longer able to effectively meet the Corporation's requirements. Moreover, the new technology will serve as a foundation to build on in the drive towards electronic commerce.

General Secretariat and Vice-Presidency of Legal Affairs

Since the changes made to the organizational structure of Loto-Québec's senior management, Ms. Lynne Roiter has assumed the position of Corporate Secretary and Vice-President of Legal Affairs. Serving both Loto-Québec and its subsidiaries, Ms. Roiter's responsibilities include the General Secretariat, legal services, internal auditing, the implementation of the compulsive gambling scientific research and prevention program, and records management, as well as direction of the General Secretariat of the World Lottery Association. The General Secretariat and Vice-Presidency of Legal Affairs' Management Committee is comprised of Ms. Lynne Roiter, Vice-President, Ms. Marie-Christine Tremblay, Director of the General Secretariat, Ms. Joy Goodman, Director of Legal Affairs, and Messrs. Daniel Dubeau, Director of Compulsive Gambling Research and Prevention, and Jacques Dubois, Director of Internal Auditing.

Legal Affairs

Actively involved in a number of major projects over the past fiscal year, the Vice-Presidency's extensive legal expertise provided valuable support in particular with regards to the construction of the Hilton Lac-Leamy Hotel site, the preparation of contracts for the development of a new central control system for online games, the replacement of the video lottery terminal network and the acquisition of the *Marie-Clarisse* schooner.

General Secretariat

In addition, the General Secretariat maintains a Documentation Centre which serves as an important source of information on lotteries and games of chance throughout the world. The Centre was particularly useful for the preparation of documents required for the November Forum.

From an international marketing standpoint, the General Secretariat is instrumental in the obtaining of patents and trademarks, as well as the awarding of permits to ensure the adequate protection of the Corporation's intellectual property on a global scale.

This past fiscal year, the General Secretariat also played a key role at the Forum on Compulsive Gambling held November 8-9, 2001, serving as Loto-Québec's official representative. This Forum was a major catalyst for the implementation of an integrated and concrete action plan to help combat this problem.

Internal Auditing

For their part, Loto-Québec's internal auditors conduct periodic assessments of the Corporation's management and control systems, especially within its key activity sectors. During fiscal 2001-2002, particular attention was paid to the implementation and integration of the latest technologies and procedures within new sectors, most notably, with respect to the Hilton Lac-Leamy Hotel site.

BUILDING ON WINNING RESULTS

For the fiscal year ended March 31, 2002, Loto-Québec's **consolidated revenues** totalled $3.7 billion, representing a slight increase of $18.6 million, or 0.5% over the previous year. The Corporation's **operating expenses** equalled $654.9 million, up 6.7% from the last reporting period, while **consolidated net income** reached $1.448 billion, growing by 3.2% as compared to fiscal 2000-2001.

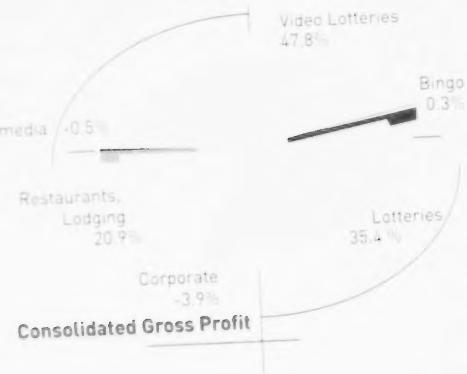
Despite a drop of $32.2 million, or 1.8% as compared to the previous reporting period, the **lottery sector** maintained its position as the largest overall contributor to the Corporation's total sales this past fiscal year, posting revenues of $1.8 billion. Upon the request of the Minister of Finance, advertising budgets were reduced by 10% ($2.4 million), impacting negatively on the sale of traditional lottery products. Gross profit in this sector equalled $708.2 million, a decline of $4.6 million compared to the previous year, while a total of $926.3 million was paid out in prizes to winners and $123.2 million in the form of commissions to retailers.

With revenues of $727 million, the **casino sector** recorded an increase of 4.4% over the previous fiscal year, all three of the casinos having contributed to this gain. The Casino de Montréal's revenues, for example, rose by $18.4 million (3.9%), while the Casino de Charlevoix and the Casino du Lac-Leamy saw their earnings grow by $3.7 million (9.4%) and $8.4 million (4.5%) respectively. In the case of the Casino du Lac-Leamy, this increase can be attributable primarily to its expansion and the impact of the hotel complex, which officially commenced operations during the second half of the year. Since July 2001, nine new gaming tables and 454 slot machines have been added to the Lac-Leamy gaming house. Finally, with regards to the casino sector, a total of $13.7 million was paid out to patrons in the form of promotional discounts.

For its part, the **restaurant and lodging sector** posted earnings of $72.1 million, representing an increase of $5.8 million, or 8.7% over the previous fiscal year. This increase is the direct result of the October 2001 opening of the Hilton Hotel complex, encompassing the hotel itself and an ultra-modern conference centre.

Totalling $1.067 billion in fiscal 2001-2002, the **video lottery sector**'s revenues rose by a slight 1.4% over the previous year, seemingly levelling out as compared to the increases recorded in previous years. This past year's results were also negatively impacted to some degree by the withdrawal of 538 video lottery terminals (VLTs) and the closing of 257 sites. The units were removed in accordance with an agreement made with the Minister of Finance to withdraw a total of 1,000 terminals from the market over a period of 18 months. Commissions paid to retailers operating VLTs in their establishments equalled $281.1 million, down 11%, or $34.8 million as compared to fiscal 2000-2001. This decline is attributable to the reduction in the commission rate paid to VLT operators, dropping from 30% in 2000-2001 to 26% since May 1, 2001.

Sales Figures



Consolidated Gross Profit

At $39.6 million, Loto-Québec's **bingo sector** s revenues decreased by $1.4 million, or 3.4% over the previous year. In all, the Société des bingos du Québec paid out $18 million in prizes to winners and $2.2 million in commissions to bingo hall operators.

Finally, the **multimedia sector** recorded total earnings of $917,000, representing an increase of $377,000 over the previous reporting period. This noteworthy gain can be attributable to the extended range of games now offered by the Corporation's subsidiary, Ingenio, as well as to its successful efforts in developing export markets.

Loto-Québec's **operating expenses** were up 6.7% over the previous year, totalling $654.9 million and representing a ratio of 17.9% of the Corporation's total earnings as compared to 16.8% in 2000-2001, with the **casino, restaurant and lodging sectors** posting the greatest variations. The expansion of the Casino du Lac-Leamy and the construction of the Théâtre du Casino are two key factors that accounted for the rise in expenses. The increase can also be attributed to a $6 million subsidy awarded to the Société des établissements de plein air du Québec (Sépaq) to financially support tourism and the economic development of the Hautes-Gorges-de-la-Rivière Malbaie National Park.

Other items totalled $135.8 million, a decline of $7.3 million, or 5% as compared to the previous year, attributable mainly to consumption taxes (GST and QST). These items also include special contributions in the order of $8.8 million to non-profit organizations made by the bingo sector out of its operating income.

Loto-Québec's contribution in the form of dividends to the Minister of State for the Economy and Finance amounted to $1.319 billion during fiscal 2001-2002. In addition, a total of $96.5 million was paid into the Québec Government's various designated funds, along with another $87.5 million to the Minister of Revenue in tax on capital and Québec Sales Tax (QST). As such, total contributions to the Québec Government equalled over $1.503 billion. Moreover, the Corporation contributed $13.7 million to the Government of Canada as compensation for its withdrawal from the lottery sector, as well as $72.2 million in the form of Goods and Services Tax (GST).

The Board of Directors is responsible for the consolidated financial statements drawn up for the shareholder. It delegates responsibility for preparing them to senior management, while the Audit Committee reviews them.

Management has a system of internal controls to ensure that the financial statements are reliable, and Internal Audit monitors the system to ensure it works properly.

The consolidated financial statements are prepared according to Canadian generally accepted accounting principles which, in certain cases, require judgements on the part of management. The financial information contained within the rest of the annual report corresponds to the information provided in the financial statements.

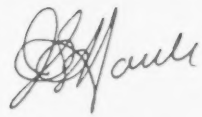
By law, the Auditor General of Québec audits the books and accounts of Loto-Québec. The Audit Committee and the Auditor General meet with management to discuss questions pertaining to the audit and to the consolidated financial statements. Audit Committee members have no link to Loto-Québec other than as directors.

Upon the recommendation of the Audit Committee, the Board of Directors has approved the consolidated financial statements of Loto-Québec for the fiscal year ended March 31, 2002.

President and
Chief Executive Officer

Gaétan Frigon

Corporate Vice-President
Finance and Administration



Gérald Houle, CMA

Montréal, May 23, 2002

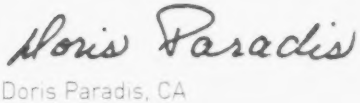
To the Minister of State for Economy and Finance

I have audited the consolidated balance sheet of Loto-Québec as at March 31, 2002 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Loto-Quebec's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. These standards require that I plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present, in all material aspects, the financial position of Loto-Québec as at March 31, 2002, and the results of its operations and cash flows for the year ended in accordance with Canadian generally accepted accounting principles. As required by the *Auditor General Act* (R.S.Q., Chapter V-5.01), I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Interim Auditor General



Doris Paradis, CA

Québec City, May 23, 2002

Consolidated Statement of Income

For the year ended March 31, 2002
(in thousands of dollars)

	2001
REVENUE	3,643,212
COST OF SALES (NOTE 3)	1,483,178
GROSS PROFIT	2,160,034
OPERATING EXPENSES	
Operating expenditures	527,742
Depreciation of fixed assets	77,721
Amortization of patents	309
Amortization of deferred charges	308
Interest - net (note 4)	7,149
	613,229
INCOME BEFORE THE FOLLOWING ITEMS	1,546,805
Special payments (note 5)	28,871
Goods and Services Tax	53,136
Québec Sales Tax	61,040
	143,047
NET INCOME	1,403,758

SEGMENTED INFORMATION (note 20)

Consolidated Statement of Retained Earnings

For the year ended March 31, 2002
(in thousands of dollars)

	2001
BALANCE AT BEGINNING OF YEAR	132,428
Net income	1,403,758
	1,536,186
Dividends	(1,330,500)
Fonds d'aide à l'action communautaire autonome (note 6)	(14,643)
Fonds d'aide à l'action humanitaire internationale (note 6)	(2,929)
Contributions to the Québec Government (note 7)	(28,269)
	(1,376,341)
BALANCE AT END OF YEAR	159,845

Consolidated Balance Sheet

As at March 31, 2002
(in thousands of dollars)

		2001
ASSETS		
CURRENT		
Cash on hand - Casinos	[illegible]	33,247
Cash on hand	[illegible]	27,867
Accounts receivable (note 8)	[illegible]	67,402
Inventory (note 9)	[illegible]	8,946
Prepaid expenses	[illegible]	16,158
	[illegible]	153,620
Investments	[illegible]	34,131
Fixed assets (note 10)	[illegible]	539,482
Patents, amortized	[illegible]	617
Deferred charges, amortized (note 11)	[illegible]	1,651
	[illegible]	729,501
LIABILITIES		
CURRENT		
Bank loans (note 12)	[illegible]	232,025
Prizes payable	[illegible]	48,225
Accounts payable and accrued liabilities (note 13)	[illegible]	240,911
Provisions related to prizes (note 14)	[illegible]	33,757
Deferred income	[illegible]	14,568
	[illegible]	569,486
SHAREHOLDER'S EQUITY		
Capital-stock authorized, issued and fully paid:		
1,700 shares with a par value of $100 each	[illegible]	170
RETAINED EARNINGS	[illegible]	159,845
	[illegible]	160,015
	[illegible]	729,501

COMMITMENTS (note 15)

ON BEHALF OF THE BOARD OF DIRECTORS

Chairman of the Board
Gaétan Frigon

Chairman of the Audit Committee
Robert Crevier, CA

For the year ended March 31, 2002
(in thousands of dollars)

	2001
REVENUE	3,643,212
COST OF SALES (NOTE 3)	1,483,178
GROSS PROFIT	2,160,034
OPERATING EXPENSES	
Operating expenditures	527,742
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Special payments (note 5)	28,871
Goods and Services Tax	53,136
Québec Sales Tax	61,040
	143,047
NET INCOME	1,403,758

SEGMENTED INFORMATION (note 20)

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(in thousands of dollars)

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	(1,376,341)
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(in thousands of dollars)

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COMMITMENTS (note 15)

ON BEHALF OF THE BOARD OF DIRECTORS

Chairman of the Board
Gaétan Frigon

Chairman of the Audit Committee
Robert Crevier, CA

Consolidated Statement of Cash Flows

For the year ended March 31, 2002
(in thousands of dollars)

	2001
OPERATING ACTIVITIES	
Net income	1,403,758
Items not affecting cash flows:	
Depreciation of fixed assets	77,721
Amortization of patents	309
Amortization of deferred charges	308
Net contribution to the Manoir Richelieu LP	5,762
Share of the earnings of Nter Technologies LP	(116)
Changes in assets and liabilities related to operations (note 16)	(12,889)
Operating activity cash flows	1,474,853
FINANCING ACTIVITIES	
Dividends paid	(1,265,000)
Bank loans	(15,898)
Contributions to the Québec Government	(28,105)
Fonds d'aide à l'action communautaire autonome	(14,643)
Fonds d'aide à l'action humanitaire internationale	(2,929)
Financing activity cash flows	(1,326,575)
INVESTMENT ACTIVITIES	
Acquisition of fixed assets	(137,012)
Deposits for the acquisition of fixed assets	(96)
Acquisition of investments	(62)
Distribution to the Manoir Richelieu LP	(5,196)
Distribution of the Manoir Richelieu LP	573
Acquisition of deferred charges	(1,036)
Investment activity cash flows	(142,829)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,449
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	55,665
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 16)	61,114

Notes to Financial Statements

March 31, 2002

1. AUTHORITY AND OBJECTIVES

The Société des loteries du Québec (the Corporation), also designated as Loto-Québec, is a joint-stock corporation whose shares form part of the public domain and are allotted to the Minister of Finance. Under its act of incorporation (R.S.Q., Chapter S-13.1), its functions are to conduct and administer lottery schemes and to operate businesses which are incidental to the operation of a State casino. It may also offer, for consideration, consulting and implementation services in matters within its competence. By virtue of provincial and federal income tax laws, the Corporation is exempt from paying income tax.

2. ACCOUNTING POLICIES

The consolidated financial statements of Loto-Québec have been prepared by management in accordance with Canadian generally accepted accounting practices. These statements comprise amounts based on best judgement and estimates.

Consolidation
The consolidated financial statements include the accounts of Loto-Québec and its wholly-owned subsidiaries:

- Lotim inc.
- La Société des casinos du Québec inc.
- Casiloc inc.
- La Société des loteries vidéo du Québec inc.
- Resto-Casino inc.
- Ingenio, filiale de Loto-Québec inc.
- La Société des bingos du Québec inc.
- World Gaming Consultants, inc.
- 9059-3849 Québec inc.

The investments in the Manoir Richelieu Limited Partnership and Nter Technologies Limited Partnership are entered at their consolidated value.

Revenue

Lotteries
Gross revenue from the sale of lottery tickets and bingo cards is recorded on the date of the draw, with the exception of revenue from instant lottery ticket sales, which is entered at the time of sale.

With the exception of instant lotteries, lottery tickets sold as at March 31 for draws subsequent to that date are treated as deferred income. Discounts to retailers on these sales are carried as prepaid expenses.

Casinos and Video Lotteries
Revenue from the operation of these activity sectors corresponds to the difference between wagers and prizes awarded.

Multimedia
Revenues represent royalties based on a certain percentage of the total of the CD-ROM/lottery ticket retail price. These revenues are recorded when the printer delivers the CD-ROM/lottery tickets to the lottery corporations.

For the year ended March 31, 2002
(in thousands of dollars)

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March 31, 2002

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Revenue from the operation of these activity sectors corresponds to the difference between wagers and prizes awarded.

Multimedia
Revenues represent royalties based on a certain percentage of the total of the CD-ROM/lottery ticket retail price. These revenues are recorded when the printer delivers the CD-ROM/lottery tickets to the lottery corporations.

Prizes Awarded
Prizes awarded from ticket sales for bingo and certain lottery products are based on a theoretical sales rate.

In addition to lottery prizes in cash or merchandise, Loto-Québec also awards free tickets. The value ascribed to these prizes is equal to the selling price and is included with sales as revenue and with prizes as expenditure.

Promotional Allowances
These amounts represent the promotional cash rebates issued to casino customers.

Pension Plans
Defined contribution plan accounting is applied to inter-company governmental defined benefit plans, given that Loto-Québec do not have adequate information to apply defined benefit plan accounting practices.

Inventory

Video Lotteries
Inventories are valued at the lower of average cost and replacement value.

Restaurants
Inventories are valued at the lower of cost and net realizable value. Cost is estimated as follows:

Food and beverages: average cost
Hotel kitchen equipment: base stock

Fixed Assets
Fixed assets are presented at acquisition cost and, with the exception of works of art, are depreciated according to their estimated useful life using the straight-line method based on the following annual rates:

	Method	Duration
Buildings	Straight-line	2% to 6 2/3%
	compound interest at 5%	40 years
Parking lot landscaping	Straight-line	6 2/3%
	compound interest at 5%	40 years
Rented parking lot landscaping	Straight-line	2.86% and 6 2/3 %
Interior design	Straight-line	10% and 14.29%
	compound interest at 5%	40 years
Exterior landscaping	Straight-line	10% and 14.29%
	compound interest at 5%	40 years
Leasehold improvements	Straight-line	10% to 20%
Office furniture	Straight-line	10% and 20%
Rolling stock	Straight-line	2.5% to 30%
Equipment	Straight-line	10% to 33 1/3%

Patents
Patents are presented at cost and are amortized using the straight-line method over a three-year period.

Deferred Charges
Deferred charges correspond to the cost of the Pont des Îles, a property of the City of Montréal but paid by a subsidiary of Loto-Québec. These charges are depreciated using the straight-line method at an annual rate of 10%.

The start-up costs related to the expansion of the Casino du Lac-Leamy and Resort Complex are amortized using the straight-line method over a period of three years.

3. COST OF SALES

(in thousands of dollars)

		2001
Lotteries		
Prizes awarded	926,308	952,674
Commissions to retailers	123,285	124,705
Printing of tickets	34,951	35,048
	1,084,544	1,112,427
Casinos		
Promotional allowances	13,721	12,720
Video Lotteries		
Commissions to retailers	281,136	315,915
Printing	770	757
	281,906	316,672
Bingo		
Prizes awarded	17,942	18,600
Commissions to operators	2,208	2,272
Printing of cards	439	310
	20,589	21,182
Restaurants	21,857	20,177
	1,422,617	1,483,178

4. INTEREST – NET

(in thousands of dollars)

		2001
Interest on bank loans	8,310	8,567
Interest on term deposits	(1,389)	(1,418)
	6,921	7,149

5. SPECIAL PAYMENTS

(in thousands of dollars)

		2001
Compensation to the Government of Canada	13,078	13,484
Net contribution to the Manoir Richelieu LP	4,740	5,762
Share of the results of Nter Technologies LP	(1,638)	(116)
Special commissions to non-profit organizations (NPOs)	718	637
Compensation to participating NPOs	7,899	8,173
Compensation to non-participating NPOs	898	931
	24,695	28,871

Prizes Awarded
Prizes awarded from ticket sales for bingo and certain lottery products are based on a theoretical sales rate.

In addition to lottery prizes in cash or merchandise, Loto-Québec also awards free tickets. The value ascribed to these prizes is equal to the selling price and is included with sales as revenue and with prizes as expenditure.

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These amounts represent the promotional cash rebates issued to casino customers.

Pension Plans
Defined contribution plan accounting is applied to inter-company governmental defined benefit plans, given that Loto-Québec do not have adequate information to apply defined benefit plan accounting practices.

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Inventories are valued at the lower of average cost and replacement value.

Restaurants
Inventories are valued at the lower of cost and net realizable value. Cost is estimated as follows:

Food and beverages: average cost
Hotel kitchen equipment: base stock

Fixed Assets
Fixed assets are presented at acquisition cost and, with the exception of works of art, are depreciated according to their estimated useful life using the straight-line method based on the following annual rates:

	Method	Duration
Buildings	Straight-line	2% to 6 2/3%
	compound interest at 5%	40 years
Parking lot landscaping	Straight-line	6 2/3%
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Interior design	Straight-line	10% and 14.29%
	compound interest at 5%	40 years
Exterior landscaping	Straight-line	10% and 14.29%
	compound interest at 5%	40 years
Leasehold improvements	Straight-line	10% to 20%
Office furniture	Straight-line	10% and 20%
Rolling stock	Straight-line	2.5% to 30%
Equipment	Straight-line	10% to 33 1/3%

Patents
Patents are presented at cost and are amortized using the straight-line method over a three-year period.

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The start-up costs related to the expansion of the Casino du Lac-Leamy and Resort Complex are amortized using the straight-line method over a period of three years.

(in thousands of dollars)

	2001
Lotteries	
Prizes awarded	952,674
Commissions to retailers	124,705
Printing of tickets	35,048
	1,112,427
Casinos	
Promotional allowances	12,720
Video Lotteries	
Commissions to retailers	315,915
Printing	757
	316,672
Bingo	
Prizes awarded	18,600
Commissions to operators	2,272
Printing of cards	310
	21,182
Restaurants	20,177
	1,483,178

(in thousands of dollars)

	2001
Interest on bank loans	8,567
Interest on term deposits	(1,418)
	7,149

(in thousands of dollars)

	2001
Compensation to the Government of Canada	13,484
Net contribution to the Manoir Richelieu LP	5,762
Share of the results of Nter Technologies LP	(116)
Special commissions to non-profit organizations (NPOs)	637
Compensation to participating NPOs	8,173
Compensation to non-participating NPOs	931
	28,871

Compensation to the Government of Canada
Under an agreement reached between the provincial governments and the Government of Canada concerning its withdrawal from the administration of lotteries, the provinces pay the federal government the equivalent of $24 million (in 1979 dollars) every year. For the year ended March 31, 2002, this amount equalled $56.6 million (2001: $55.2 million).

The Québec Government's share is payable by the Corporation in accordance with an agreement between the provinces and regional lottery corporations.

Net Contribution to the Manoir Richelieu Limited Partnership
Under the terms of the guarantee agreement and in accordance with the distribution methods specified in the partnership agreement, the net contribution represents the minimum share of liquidities generated by the operations of the Casino de Charlevoix that is to be paid to the partners, taking into account Loto-Québec's share in the results generated by the Manoir Richelieu.

Special Commissions to Non-Profit Organizations (NPOs)
Further to a decision by the shareholder, a commission equal to the discount allotted to retailers is paid to non-profit organizations selling lottery tickets through the LOTOMATIQUE subscription system.

Compensation to Non-Profit Organizations (NPOs)

Participating NPOs
La Société des bingos du Québec inc. allots charitable or religious organizations that hold a bingo licence an amount equal to the higher of 36.4% of bingo ticket sales less the value of prizes paid to game winners, or 50% of net income generated by bingo games, not counting compensation to non-participating NPOs.

Non-Participating NPOs
La Société des bingos du Québec inc. allots an amount equal to 5.45% of total ticket sales of the LE GRAND TOUR game (less the value of prizes awarded to winners of this game) to charitable or religious organizations that hold a bingo licence but do not participate in the Corporation's bingo games.

Under its act of incorporation, each year the Corporation pays into the Fonds d'aide à l'action communautaire autonome (dedicated to supporting independent community and international humanitarian action) sums equivalent to 5% and 1% respectively of net income earned during the previous fiscal year through the operation of the State-run casinos and the businesses which are incidental to them.

(in thousands of dollars)

	2001
Ministère des Finances[1]	19,769
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ)	5,000
Ministère de la Santé et des Services sociaux	3,000
Ministère de la Sécurité publique	-
Ministère des Affaires municipales	500
	28,269

(1) Of this amount, with the authorization of the Government, the Corporation contributed a total of $12.4 million (2001: $7.2 million) to the Société nationale du cheval de course (SONACC) to enable the organization to increase the funds for its regular racing programs and special events during fiscal 2001-2002.

8. ACCOUNTS RECEIVABLE

(in thousands of dollars)

	2001
Wholesalers	33,209
Retailers	21,131
Miscellaneous	13,062
	67,402

9. INVENTORY

(in thousands of dollars)

	2001
Video Lotteries	
Video lottery terminals	3,530
Restaurants	
Food and beverages	4,257
Hotel kitchen equipment	1,159
	5,416
	8,946

10. FIXED ASSETS

(in thousands of dollars)

				2001
	Cost	Accumulated Depreciation	Net	Net
Land				32,093
Buildings				177,764
Parking lot landscaping				53,064
Rented parking lot landscaping				3,525
Interior design				27,312
Landscaping				11,290
Leasehold improvements				19,108
Office equipment and rolling stock				9,246
Equipment				115,486
Works of art				2,858
Construction in progress				87,736
				539,482

Compensation to the Government of Canada
Under an agreement reached between the provincial governments and the Government of Canada concerning its withdrawal from the administration of lotteries, the provinces pay the federal government the equivalent of $24 million (in 1979 dollars) every year. For the year ended March 31, 2002, this amount equalled $56.6 million (2001: $55.2 million).

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Special Commissions to Non-Profit Organizations (NPOs)
Further to a decision by the shareholder, a commission equal to the discount allotted to retailers is paid to non-profit organizations selling lottery tickets through the LOTOMATIQUE subscription system.

Compensation to Non-Profit Organizations (NPOs)

Participating NPOs
La Société des bingos du Québec inc. allots charitable or religious organizations that hold a bingo licence an amount equal to the higher of 36.4% of bingo ticket sales less the value of prizes paid to game winners, or 50% of net income generated by bingo games, not counting compensation to non-participating NPOs.

Non-Participating NPOs
La Société des bingos du Québec inc. allots an amount equal to 5.45% of total ticket sales of the LE GRAND TOUR game (less the value of prizes awarded to winners of this game) to charitable or religious organizations that hold a bingo licence but do not participate in the Corporation's bingo games.

Under its act of incorporation, each year the Corporation pays into the Fonds d'aide à l'action communautaire autonome (dedicated to supporting independent community and international humanitarian action) sums equivalent to 5% and 1% respectively of net income earned during the previous fiscal year through the operation of the State-run casinos and the businesses which are incidental to them.

(in thousands of dollars)

	2001
Ministère des Finances[1]	19,769
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ)	5,000
Ministère de la Santé et des Services sociaux	3,000
Ministère de la Sécurité publique	–
Ministère des Affaires municipales	500
	28,269

(1) Of this amount, with the authorization of the Government, the Corporation contributed a total of $12.4 million (2001: $7.2 million) to the Société nationale du cheval de course (SONACC) to enable the organization to increase the funds for its regular racing programs and special events during fiscal 2001-2002.

(in thousands of dollars)

	2001
Wholesalers	33,209
Retailers	21,131
Miscellaneous	13,062
	67,402

(in thousands of dollars)

	2001
Video Lotteries	
Video lottery terminals	3,530
Restaurants	
Food and beverages	4,257
Hotel kitchen equipment	1,159
	5,416
	8,946

(in thousands of dollars)

			2001
	Cost	Accumulated Depreciation	Net	Net
Land				32,093
Buildings				177,764
Parking lot landscaping				53,064
Rented parking lot landscaping				3,525
Interior design				27,312
Landscaping				11,290
Leasehold improvements				19,108
Office equipment and rolling stock				9,246
Equipment				115,486
Works of art				2,858
Construction in progress				87,736
				539,482

11. DEFERRED CHARGES AMORTIZED

(in thousands of dollars)

	2001
Start-up costs	1,036
Pont des Îles	615
	1,651

12. BANK LOANS

Demand bank loans are authorized by the Québec Government for a maximum amount of $400 million and bearing interest at market rates.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of dollars)

	2001
Suppliers and accrued liabilities	115,077
Dividends	111,500
Manoir Richelieu LP	5,351
Nter Technologies LP	1,902
Québec Sales Tax	3,785
Goods and Services Tax	3,296
	240,911

14. PROVISIONS RELATED TO PRIZES

(in thousands of dollars)

	2001
Provision for unclaimed prizes	6,533
Provision for prize structure variances	27,224
	33,757

The provision for unclaimed prizes is made up of unclaimed prizes from all Loto-Québec products, excluding Canada-wide games. This amount is used for payment of bonus and retailer prizes.

The provision for prize structure variances in bingo and certain lottery products is made up of all differences between the theoretical amount of prizes to be awarded under the prize structure and the actual amount payable. Monies from this provision are used principally to offset occasional shortfalls arising from prize structures that exceed the forecast amount. With the approval of the Board of Directors, this provision may also be used for bonus prizes or for discharging any claims associated with the games, or it may be included in the results.

15. COMMITMENTS

Leases

Under an agreement expiring in 2003, the Corporation is committed to paying a minimum of $10.6 million in total for the rental of the premises occupied by its head office in a building held in joint tenancy with SITQ National Inc., representing a consolidated commitment of $5.3 million. In addition, the Corporation is committed under long-term leases expiring on various dates up until 2035 to renting space for administrative offices. In certain cases, these leases have a two- to five-year renewal option.

The minimum rental payments (in thousands of dollars) are as follows:

2003	14,260
2004	9,853
2005	6,801
2006	4,421
2007	3,804
2008 and subsequent	18,586
	57,725

Video Lotteries

In December 1997, the Québec Government authorized a subsidiary of Loto-Québec to acquire a central system including site controllers for an amount not exceeding $20 million, of which $6 million (2001: $6 million) was accounted for as at March 31, 2002. At that date, commitments related to this project totalled $13.3 million (2001: $13.3 million).

In August 1999, the Québec Government authorized that same subsidiary to acquire bar code scanners for the operation of video lottery systems for an amount not exceeding $7 million, of which $0.1 million (2001: $0.1 million) was accounted for as at March 31, 2002. At that date, contractual commitments related to this project totalled $2.6 million (2001: $2.6 million).

In addition, the Québec Government authorized the Corporation to acquire video lottery terminals for an amount not to exceed $201 million, of which $24.8 million was accounted for as at March 31, 2002. At that date, contractual commitments related to this project totalled $163.6 million.

Development of the Lac-Leamy Golf Course

The total budget for the development of the Lac-Leamy Golf Course is $17.3 million. As at March 31, 2002, $3.5 million (2001: $3.3 million) was accounted for and commitments on that date equalled $0.4 million (2001: $0.4 million).

Lac-Leamy Multi-Level Parking Lot

The total budget for the construction of the Lac-Leamy multi-level parking lot is $29.5 million. As at March 31, 2002, $2.0 million was accounted for and commitments on that date equalled $15.3 million.

Contributions to the Québec Government

Ministère des Finances

With the authorization of the Québec Government, the Corporation has given its commitment to the Ministère des Finances to pay sums into a designated fund to finance certain projects and activities related to the plan to revitalize the horseracing industry. This temporary contribution is equivalent to the annual commission collected by Québec racetracks for video lottery terminals. The Corporation is unable to assess the total amount of this commitment at this time.

In addition, with the authorization of the Québec Government, the Corporation has committed to paying $7.4 million during fiscal 2002-2003 (2002: $12.4 million) to the Société nationale du cheval de course (SONACC) to enable that organization to increase its funds for regular racing programs and special events.

Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ)

In view of the decision to terminate the activities of fairground casinos, the Government authorized Loto-Québec to give its commitment to the MAPAQ to pay an annual sum of $5 million into a designated fund for five years, starting in the 1998 calendar year. Upon expiry, the agreement will be renewable by mutual consent of the parties.

Ministère de la Santé et des Services sociaux

With the authorization of the Québec Government, the Corporation has given its commitment to the Ministère de la Santé et des Services sociaux to pay a total of $17 million annually into a designated fund to finance prevention activities, treatment services, research programs and information campaigns to help compulsive gamblers.

Moreover, the Corporation has also given its commitment to the Ministère to pay $30 million annually into another designated fund to finance support and assistance services for seniors with restricted mobility living at home or at residential centres. The Corporation is unable to assess the total amount of these commitments.

(in thousands of dollars)

	2001
Start-up costs	1,036
Pont des Îles	615
	1,651

Demand bank loans are authorized by the Québec Government for a maximum amount of $400 million and bearing interest at market rates.

(in thousands of dollars)

	2001
Suppliers and accrued liabilities	115,077
Dividends	111,500
Manoir Richelieu LP	5,351
Nter Technologies LP	1,902
Québec Sales Tax	3,785
Goods and Services Tax	3,296
	240,911

(in thousands of dollars)

	2001
Provision for unclaimed prizes	6,533
Provision for prize structure variances	27,224
	33,757

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Leases

Under an agreement expiring in 2003, the Corporation is committed to paying a minimum of $10.6 million in total for the rental of the premises occupied by its head office in a building held in joint tenancy with SITQ National Inc., representing a consolidated commitment of $5.3 million. In addition, the Corporation is committed under long-term leases expiring on various dates up until 2035 to renting space for administrative offices. In certain cases, these leases have a two- to five-year renewal option.

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In addition, with the authorization of the Québec Government, the Corporation has committed to paying $7.4 million during fiscal 2002-2003 (2002: $12.4 million) to the Société nationale du cheval de course (SONACC) to enable that organization to increase its funds for regular racing programs and special events.

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In view of the decision to terminate the activities of fairground casinos, the Government authorized Loto-Québec to give its commitment to the MAPAQ to pay an annual sum of $5 million into a designated fund for five years, starting in the 1998 calendar year. Upon expiry, the agreement will be renewable by mutual consent of the parties.

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Moreover, the Corporation has also given its commitment to the Ministère to pay $30 million annually into another designated fund to finance support and assistance services for seniors with restricted mobility living at home or at residential centres. The Corporation is unable to assess the total amount of these commitments.

Ministère de la Sécurité publique
With the authorization of the Québec Government, the Corporation has given its commitment to the Ministère de la Sécurité publique to pay an annual sum of $3 million into a designated fund to finance a series of rigorous control activities and measures to be implemented by the Régie des alcools, des courses et des jeux related, in particular, to overseeing access to video lottery terminals. The Corporation is unable to assess the total amount of this commitment at this time.

Ministère des Affaires municipales
In view of the decision to terminate the activities of temporary casinos, the Government authorized Loto-Québec to give its commitment to the Ministère des Affaires municipales to pay a sum of $2.6 million into a designated fund over a five-year period to finance certain organizations, projects and activities in the field of sports and recreation. The final payment of $0.3 million will be made during the next fiscal year.

(in thousands of dollars)

	2001
Cash and cash equivalents	
Cash on hand – Casinos	33,247
Cash on hand	27,867
	61,114
Changes to assets and liabilities related to operations	
Accounts receivable	(13,934)
Inventory	(1,021)
Prepaid expenses	487
Prizes payable	6,451
Accounts payable and accrued liabilities	2,259
Provisions related to prizes	(5,481)
Deferred income	(1,650)
	(12,889)
Supplementary information	
Interest paid	8,282
Prepaid expenses transferred to fixed assets	1,438

Employees of the parent corporation, La Société des loteries vidéo du Québec inc., La Société des bingos du Québec inc., and Ingenio, filiale de Loto-Québec inc. participate in the Régime de retraite des employés du gouvernement et des organismes publics (RREGOP), the Régime de retraite des fonctionnaires (RRF) and the Régime de retraite du personnel d'encadrement (RRPE). These are benefit-based pension plans and contain guarantees upon retirement or death. Contributions charged to consolidated earnings for the fiscal year for these plans total $1.4 million (2001: $1.4 million). The employer's obligations towards these government plans are limited to its contributions as an employer.

La Société des casinos du Québec inc. and Resto-Casino inc. offer their employees a defined contribution plan, paying an amount equal to the employee's contribution, up to 5% of the annual base salary. The employer's contribution is vested to the employee upon payment. Contributions charged to consolidated earnings for the fiscal year under this plan total $7.9 million (2001: $6.3 million).

18. RELATED PARTY TRANSACTIONS

Over the course of the fiscal year, the Corporation engaged the consulting and management services of a limited partnership company for a total of $32.6 million (2001: $10.4 million).

In addition to the related party transactions already outlined and accounted for, Loto-Québec is related to all Québec Government departments and special funds, as well as all agencies and enterprises controlled directly or indirectly by the Government, or subject either to joint control or to significant mutual influence on the part of the Government. The Corporation has not concluded any business transaction with these related parties other than within the normal course of its activities and on regular business terms. These transactions are not disclosed separately in the financial statements.

19. COMPARATIVE FIGURES

Certain totals posted for the year 2001 have been reclassified in order to conform to the presentation adopted in 2002.

Ministère de la Sécurité publique

With the authorization of the Québec Government, the Corporation has given its commitment to the Ministère de la Sécurité publique to pay an annual sum of $3 million into a designated fund to finance a series of rigorous control activities and measures to be implemented by the Régie des alcools, des courses et des jeux related, in particular, to overseeing access to video lottery terminals. The Corporation is unable to assess the total amount of this commitment at this time.

Ministère des Affaires municipales

In view of the decision to terminate the activities of temporary casinos, the Government authorized Loto-Québec to give its commitment to the Ministère des Affaires municipales to pay a sum of $2.6 million into a designated fund over a five-year period to finance certain organizations, projects and activities in the field of sports and recreation. The final payment of $0.3 million will be made during the next fiscal year.

(in thousands of dollars)

	2001
Cash and cash equivalents	
Cash on hand – Casinos	33,247
Cash on hand	27,867
	61,114
Changes to assets and liabilities related to operations	
Accounts receivable	(13,934)
Inventory	(1,021)
Prepaid expenses	487
Prizes payable	6,451
Accounts payable and accrued liabilities	2,259
Provisions related to prizes	(5,481)
Deferred income	(1,650)
	(12,889)
Supplementary information	
Interest paid	8,282
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La Société des casinos du Québec inc. and Resto-Casino inc. offer their employees a defined contribution plan, paying an amount equal to the employee's contribution, up to 5% of the annual base salary. The employer's contribution is vested to the employee upon payment. Contributions charged to consolidated earnings for the fiscal year under this plan total $7.9 million (2001: $6.3 million).

Over the course of the fiscal year, the Corporation engaged the consulting and management services of a limited partnership company for a total of $32.6 million (2001: $10.4 million).

In addition to the related party transactions already outlined and accounted for, Loto-Québec is related to all Québec Government departments and special funds, as well as all agencies and enterprises controlled directly or indirectly by the Government, or subject either to joint control or to significant mutual influence on the part of the Government. The Corporation has not concluded any business transaction with these related parties other than within the normal course of its activities and on regular business terms. These transactions are not disclosed separately in the financial statements.

Certain totals posted for the year 2001 have been reclassified in order to conform to the presentation adopted in 2002.

28. SEGMENTED INFORMATION

(in thousands of dollars)

Activity Sectors	Lotteries	Casinos Restaurants Lodging	Video Lotteries	Bingo	Multimedia	Corporate	Inter-Company Elimination	Consolidated Figures
Revenue								
Games	1,793,297	727,037	1,067,506	39,647	917	-	(551)	3,627,853
Restaurants	-	68,877	-	-	-	-	(38,195)	30,682
Lodging	-	3,251	-	-	-	-	-	3,251
	1,793,297	799,165	1,067,506	39,647	917	-	(38,746)	3,661,786
Cost of sales								
Games	1,085,095	13,721	281,906	20,609	-	-	(551)	1,400,780
Restaurants	-	21,859	-	-	-	-	-	21,859
	1,085,095	35,580	281,906	20,609	-	-	(551)	1,422,639
Gross profit	708,202	763,585	785,600	19,038	917	-	(38,195)	2,239,147
Operating expenses								
Operating expenditures [1]	124,228	391,827	39,790	5,205	7,061	40,278	(38,195)	570,194
Depreciation of fixed assets	18,123	43,759	6,213	216	166	7,568	-	76,045
Amortization of patents	-	-	-	-	308	-	-	308
Amortization of deferred charges	-	1,333	-	-	-	-	-	1,333
Interest – net	-	(887)	(64)	(11)	(12)	7,998	-	7,024
	142,351	436,032	45,939	5,410	7,523	55,844	(38,195)	654,904
Income (loss) before the following items	565,851	327,553	739,661	13,628	(6,606)	(55,844)	-	1,584,243
Special payments[1]	14,408	4,740	-	8,783	-	(1,610)	-	26,321
Goods and Services Tax[1]	17,589	9,298	22,341	432	-	1,256	-	50,916
Québec Sales Tax[1]	20,321	10,658	25,613	495	-	1,440	-	58,527
	52,318	24,696	47,954	9,710	-	1,086	-	135,764
Net income (loss)	513,533	302,857	691,707	3,918	(6,606)	(56,930)	-	1,448,479

(1) Indirect costs were paid by the corporate sector and are charged back to other activity sectors in accordance with the extent of their use. An amount of $17.7 million was charged towards the lottery sector's results, an amount of $43.4 million towards the casino sector's results, an amount of $49.7 million to those of the video lottery sector, and $2.1 million to the bingo sector.

(in thousands of dollars)

	2001							
Activity Sectors	Lotteries	Casinos Restaurants Lodging	Video Lotteries	Bingo	Multimedia	Corporate	Inter-Company Elimination	Consolidated Figures
Revenue								
Games	1,825,528	696,471	1,053,047	41,044	540	-	(300)	3,616,330
Restaurants	-	66,355	-	-	-	-	(39,473)	26,882
Lodging	-	-	-	-	-	-	-	-
	1,825,528	762,826	1,053,047	41,044	540	-	(39,773)	3,643,212
Cost of sales								
Games	1,112,727	12,720	316,672	21,182	-	-	(300)	1,463,001
Restaurants	-	20,177	-	-	-	-	-	20,177
	1,112,727	32,897	316,672	21,182	-	-	(300)	1,483,178
Gross profit	712,801	729,929	736,375	19,862	540	-	(39,473)	2,160,034
Operating expenses								
Operating expenditures[1]	122,689	358,261	35,644	5,211	6,680	38,730	(39,473)	527,742
Depreciation of fixed assets	17,695	44,439	8,715	698	120	6,054	-	77,721
Amortization of patents	-	-	-	-	309	-	-	309
Amortization of deferred charges	-	308	-	-	-	-	-	308
Interest – net	-	(948)	(110)	(15)	(14)	8,236	-	7,149
	140,384	402,060	44,249	5,894	7,095	53,020	(39,473)	613,229
Income (loss) before the following items	572,417	327,869	692,126	13,968	(6,555)	(53,020)	-	1,546,805
Special payments[1]	14,121	5,762	-	9,104	-	(116)	-	28,871
Goods and Services Tax[1]	18,233	9,011	24,693	444	-	755	-	53,136
Québec Sales Tax[1]	21,027	10,330	28,308	509	-	866	-	61,040
	53,381	25,103	53,001	10,057	-	1,505	-	143,047
Net income (loss)	519,036	302,766	639,125	3,911	(6,555)	(54,525)	-	1,403,758

(1) Indirect costs were paid by the corporate sector and are charged back to other activity sectors in accordance with the extent of their use. An amount of $13.3 million was charged towards the lottery sector's results, an amount of $45.4 million towards the casino sector's results, an amount of $55.0 million to those of the video lottery sector, and $1.8 million to the bingo sector.

CONSOLIDATED EARNINGS

As at March 31
(in thousands of dollars)

	2001	2000	1999	1998
CONSOLIDATED EARNINGS				
Revenue	3,643,212	3,444,225	3,130,279	2,837,442
Cost of Sales				
Lotteries				
Prizes awarded	952,674	913,752	859,155	805,233
Commissions to retaillers	124,705	121,286	114,015	107,677
Printing of tickets	35,048	30,115	25,217	23,197
Lotteries Subtotal	1,112,427	1,065,153	998,387	936,107
Casinos	12,720	1,177		
Restaurants	20,177	20,303	16,944	14,812
Video Lotteries				
Commissions to retaillers	315,915	278,522	230,388	175,627
Printing	757	703	646	511
Video Lotteries Subtotal	316,672	279,225	231,034	176,138
Bingo				
Prizes awarded	18,600	18,265	18,572	6,556
Commissions to operators	2,272	2,220	2,256	795
Printing of cards	310	402	444	102
Bingo Subtotal	21,182	20,887	21,272	7,453
Total	1,483,178	1,386,745	1,267,637	1,134,510
Gross Profit	2,160,034	2,057,480	1,862,642	1,702,932
Operating Expenses				
Lotteries	122,689	162,957	137,742	128,664
Casinos/Restaurants/Lodging	318,788	317,694	283,841	269,994
Video Lotteries	35,644	36,776	30,242	38,244
Bingo	5,211	5,299	4,934	2,600
Multimedia	6,680	4,488		
Corporate	38,730			
Depreciation of fixed assets	77,721	68,044	74,451	72,375
Amortization of patents	309			
Amortization of deferred charges	308	308	4,386	4,588
Interest - net	7,149	5,863	4,796	6,616
	613,229	601,429	540,392	523,081
Income Before the Following Items	1,546,805	1,456,051	1,322,250	1,179,851
Special payments	28,871	25,792	25,296	16,789
Goods and Services Tax	53,136	48,638	44,139	35,753
Québec Sales Tax	61,040	55,830	50,812	36,899
	143,047	130,260	120,247	89,441
Net Income	1,403,758	1,325,791	1,202,003	1,090,410

(in thousands of dollars)

Activity Sectors	Lotteries	Casinos Restaurants Lodging	Video Lotteries	Bingo	Multimedia	Corporate	Inter-Company Elimination	Consolidated Figures
Revenue								
Games	1,793,297	727,037	1,067,506	39,647	917	-	(551)	3,627,853
Restaurants	-	68,877	-	-	-	-	(38,195)	30,682
Lodging	-	3,251	-	-	-	-	-	3,251
	1,793,297	799,165	1,067,506	39,647	917	-	(38,746)	3,661,786
Cost of sales								
Games	1,085,095	13,721	281,906	20,609	-	-	(551)	1,400,780
Restaurants	-	21,859	-	-	-	-	-	21,859
	1,085,095	35,580	281,906	20,609	-	-	(551)	1,422,639
Gross profit	708,202	763,585	785,600	19,038	917	-	(38,195)	2,239,147
Operating expenses								
Operating expenditures [1]	124,228	391,827	39,790	5,205	7,061	40,278	(38,195)	570,194
Depreciation of fixed assets	18,123	43,759	6,213	216	166	7,568	-	76,045
Amortization of patents	-	-	-	-	308	-	-	308
Amortization of deferred charges	-	1,333	-	-	-	-	-	1,333
Interest – net	-	(887)	(64)	(11)	(12)	7,998	-	7,024
	142,351	436,032	45,939	5,410	7,523	55,844	(38,195)	654,904
Income (loss) before the following items	565,851	327,553	739,661	13,628	(6,606)	(55,844)	-	1,584,243
Special payments[1]	14,408	4,740	-	8,783	-	(1,610)	-	26,321
Goods and Services Tax[1]	17,589	9,298	22,341	432	-	1,256	-	50,916
Québec Sales Tax[1]	20,321	10,658	25,613	495	-	1,440	-	58,527
	52,318	24,696	47,954	9,710	-	1,086	-	135,764
Net income (loss)	513,533	302,857	691,707	3,918	(6,606)	(56,930)	-	1,448,479

(1) Indirect costs were paid by the corporate sector and are charged back to other activity sectors in accordance with the extent of their use. An amount of $17.7 million was charged towards the lottery sector's results, an amount of $43.4 million towards the casino sector's results, an amount of $49.7 million to those of the video lottery sector, and $2.1 million to the bingo sector.

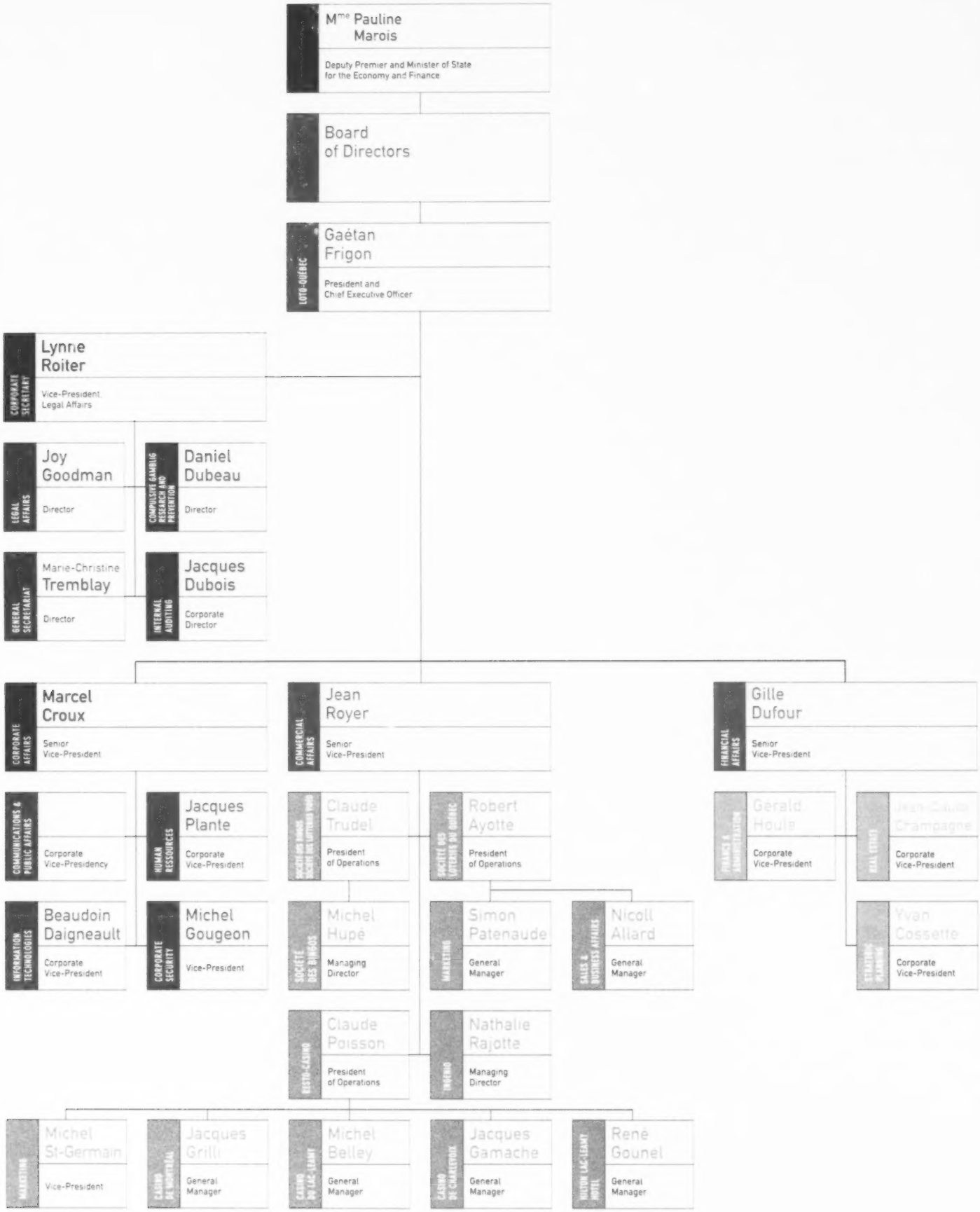
(in thousands of dollars)

	2001							
Activity Sectors	Lotteries	Casinos Restaurants Lodging	Video Lotteries	Bingo	Multimedia	Corporate	Inter-Company Elimination	Consolidated Figures
Revenue								
Games	1,825,528	696,471	1,053,047	41,044	540	-	(300)	3,616,330
Restaurants	-	66,355	-	-	-	-	(39,473)	26,882
Lodging	-	-	-	-	-	-	-	-
	1,825,528	762,826	1,053,047	41,044	540	-	(39,773)	3,643,212
Cost of sales								
Games	1,112,727	12,720	316,672	21,182	-	-	(300)	1,463,001
Restaurants	-	20,177	-	-	-	-	-	20,177
	1,112,727	32,897	316,672	21,182	-	-	(300)	1,483,178
Gross profit	712,801	729,929	736,375	19,862	540	-	(39,473)	2,160,034
Operating expenses								
Operating expenditures[1]	122,689	358,261	35,644	5,211	6,680	38,730	(39,473)	527,742
Depreciation of fixed assets	17,695	44,439	8,715	698	120	6,054	-	77,721
Amortization of patents	-	-	-	-	309	-	-	309
Amortization of deferred charges	-	308	-	-	-	-	-	308
Interest – net	-	(948)	(110)	(15)	(14)	8,236	-	7,149
	140,384	402,060	44,249	5,894	7,095	53,020	(39,473)	613,229
Income (loss) before the following items	572,417	327,869	692,126	13,968	(6,555)	(53,020)	-	1,546,805
Special payments[1]	14,121	5,762	-	9,104	-	(116)	-	28,871
Goods and Services Tax[1]	18,233	9,011	24,693	444	-	755	-	53,136
Québec Sales Tax[1]	21,027	10,330	28,308	509	-	866	-	61,040
	53,381	25,103	53,001	10,057	-	1,505	-	143,047
Net income (loss)	519,036	302,766	639,125	3,911	(6,555)	(54,525)	-	1,403,758

(1) Indirect costs were paid by the corporate sector and are charged back to other activity sectors in accordance with the extent of their use. An amount of $13.3 million was charged towards the lottery sector's results, an amount of $45.4 million towards the casino sector's results, an amount of $55.0 million to those of the video lottery sector, and $1.8 million to the bingo sector.

As at March 31
(in thousands of dollars)

	2001	2000	1999	1998
CONSOLIDATED EARNINGS				
Revenue	3,643,212	3,444,225	3,130,279	2,837,442
Cost of Sales				
Lotteries				
Prizes awarded	952,674	913,752	859,155	805,233
Commissions to retaillers	124,705	121,286	114,015	107,677
Printing of tickets	35,048	30,115	25,217	23,197
Lotteries Subtotal	1,112,427	1,065,153	998,387	936,107
Casinos	12,720	1,177		
Restaurants	20,177	20,303	16,944	14,812
Video Lotteries				
Commissions to retaillers	315,915	278,522	230,388	175,627
Printing	757	703	646	511
Video Lotteries Subtotal	316,672	279,225	231,034	176,138
Bingo				
Prizes awarded	18,600	18,265	18,572	6,556
Commissions to operators	2,272	2,220	2,256	795
Printing of cards	310	402	444	102
Bingo Subtotal	21,182	20,887	21,272	7,453
Total	1,483,178	1,386,745	1,267,637	1,134,510
Gross Profit	2,160,034	2,057,480	1,862,642	1,702,932
Operating Expenses				
Lotteries	122,689	162,957	137,742	128,664
Casinos/Restaurants/Lodging	318,788	317,694	283,841	269,994
Video Lotteries	35,644	36,776	30,242	38,244
Bingo	5,211	5,299	4,934	2,600
Multimedia	6,680	4,488		
Corporate	38,730			
Depreciation of fixed assets	77,721	68,044	74,451	72,375
Amortization of patents	309			
Amortization of deferred charges	308	308	4,386	4,588
Interest - net	7,149	5,863	4,796	6,616
	613,229	601,429	540,392	523,081
Income Before the Following Items	1,546,805	1,456,051	1,322,250	1,179,851
Special payments	28,871	25,792	25,296	16,789
Goods and Services Tax	53,136	48,638	44,139	35,753
Québec Sales Tax	61,040	55,830	50,812	36,899
	143,047	130,260	120,247	89,441
Net Income	1,403,758	1,325,791	1,202,003	1,090,410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Deputy Premier and Minister of State for the Economy and Finance
Board of Directors
LOTO-QUÉBEC
Gaétan Frigon
President and Chief Executive Officer
CORPORATE SECRETARY
Lynne Roiter
Vice-President Legal Affairs
LEGAL AFFAIRS
Joy Goodman
Director
COMPULSIVE GAMBLING RESEARCH AND PREVENTION
Daniel Dubeau
Director
GENERAL SECRETARIAT
Marie-Christine Tremblay
Director
INTERNAL AUDITING
Jacques Dubois
Corporate Director
CORPORATE AFFAIRS
Marcel Croux
Senior Vice-President
COMMERCIAL AFFAIRS
Jean Royer
Senior Vice-President
FINANCIAL AFFAIRS
Gille Dufour
Senior Vice-President
COMMUNICATIONS & PUBLIC AFFAIRS
Corporate Vice-Presidency
HUMAN RESSOURCES
Jacques Plante
Corporate Vice-President
SOCIÉTÉ DES CASINOS DU QUÉBEC
Claude Trudel
President of Operations
SOCIÉTÉ DES LOTERIES DU QUÉBEC
Robert Ayotte
President of Operations
FINANCE & ADMINISTRATION
Gérald Houle
Corporate Vice-President
REAL ESTATE
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General Manager
SALES & BUSINESS AFFAIRS
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General Manager
STRATEGIC PLANNING
Yvan Cossette
Corporate Vice-President
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President of Operations
INGENIO
Nathalie Rajotte
Managing Director
MARKETING
Michel St-Germain
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CASINO DE MONTRÉAL
Jacques Grilli
General Manager
CASINO DU LAC-LEAMY
Michel Belley
General Manager
CASINO DE CHARLEVOIX
Jacques Gamache
General Manager
HILTON LAC-LEAMY HOTEL
René Gounel
General Manager

Board of Directors

From left to right: Mr. Roger Blais, Ms. Lynne Roiter, Mr. Robert Crevier, Mr. Yvon Martin, Ms. Christiane Bois, Mr. Joseph Benarrosh, Mr. Gaétan Frigon

Gaétan Frigon
Montréal
Chairman of the Board
President and Chief Executive Officer
Loto-Québec

Lynne Roiter, LL.L.
Westmount
Vice-President, Legal Affairs
Corporate Secretary

Roger Blais, Ing.
Gatineau
Engineer
Physical Engineering

Yvon Martin
Montréal
President
Les Placements Solicom inc.

Robert Crevier, CA
Montréal
Management Consultant

Joseph Benarrosh
Montréal
President
JJDS Capital Inc.

Christiane Bois
Québec City
Managing Director
Société historique de Québec

Senior Management

From left to right:
Mr. Gille Dufour, Mr. Gaétan Frigon, Mr. Jean Royer, Ms. Lynne Roiter, Mr. Marcel Croux

Gaétan Frigon
President and Chief Executive Officer

Lynne Roiter
Vice-President, Legal Affairs
Corporate Secretary

Marcel Croux
Senior Vice-President
Corporate Affairs

Jean Royer
Senior Vice-President
Commercial Affairs

Gille Dufour
Senior Vice-President
Financial Affairs

In view of the *Regulation Respecting the Ethics and Professional Conduct of Public Office Holders*, the members of Loto-Québec's Board of Directors have established a specific Code of Ethics and Rules of Professional Conduct.

The values contained in the Corporation's *Code of Ethics and Rules of Professional Conduct*, notably integrity, loyalty and transparency, are values which Loto-Québec has always emphasized and which all senior executives of the Corporation are required to respect. During the last fiscal year, the principles of the Code have been fully adhered to by all those to whom it applies.

1 DEFINITIONS

1 In this Code, unless the specific context indicates otherwise:

a) "director" designates a member of the Board of Directors of Loto-Québec or any of its subsidiaries, whether or not working full-time within the Corporation or one of its subsidiaries;

b) "Board" designates the Board of Directors of Loto-Québec or any of its subsidiaries;

c) "executive" designates any contractual manager whose employment conditions are subject to the approval of the Board;

d) "enterprise" designates any form that can be taken by an organization for the production of goods or services or the conducting of any other business of a commercial, industrial or financial nature, or any group seeking to promote certain values, interests or opinions or to exercise an influence on public officials; however, this does not include the Corporation or a non-profit association or group that has no financial link with the Corporation or is not incompatible with the objects of the Corporation;

e) "subsidiary" designates a company wholly-owned by Loto-Québec;

f) "Act" designates the legislation constituting the Société des loteries du Québec (L.R.Q., c. S-13.1), as amended from time to time;

g) "Chairman of the Board" designates the President and Chief Executive Officer of Loto-Québec;

h) "Corporation" designates Loto-Québec.

2 ETHICAL PRINCIPLES AND GENERAL RULES OF PROFESSIONAL CONDUCT

2.1 This Code applies to the directors and executives of the Corporation and its subsidiaries, who are bound to comply with its provisions.

2.2 A director or executive is appointed to contribute to the achievement of the Corporation's mission in the best interests of Québec. Accordingly, he is expected to use his knowledge, abilities, experience and integrity in a way that will promote the fair and efficient accomplishment of the objectives assigned to the Corporation by the Act and the effective administration of the property it owns as mandatary of the State.

2.3 In the course of performing his duties, a director or executive shall comply with the Corporation's mission and the following objectives:

- Social role: by expanding the ways of sharing the fruit of its operations with the various communities and regions and increasing its activities in the prevention of compulsive gambling;
- Integrity and credibility: by demonstrating steadfast vigilance to ensure the integrity, transparency and credibility of the Corporation's activities;
- Expansion: by developing new markets through associations and partnerships which will allow the Corporation to considerably enhance the traditional lottery games, casinos and video lotteries it offers;
- Competence and expertise: by promoting the development of the skills essential to the Corporation and establishing programs that ensure respect for human resources;
- Performance: by offering the best possible entertainment products and services in the lottery, casino, video lottery and bingo sectors, and by increasing the public funds entrusted to it.

2.4 A director or executive who, at the request of Loto-Québec or any of its subsidiaries, serves as director, executive or member of another undertaking or company is held to the same standards and obligations.

2.5 In the performance of his duties, a director or executive shall seek to satisfy only the interests of the Corporation, to the exclusion of his own interests or those of others.

2.6 In the performance of his duties, a director is required to comply with the ethical principles and rules of professional conduct prescribed by the *Regulation Respecting the Ethics and Professional Conduct of Public Office Holders* to the extent that they are applicable to him.

3 DUTIES AND OBLIGATIONS OF DIRECTORS AND EXECUTIVES WITH RESPECT TO CONFLICTS OF INTEREST

3.1 PREVENTION OF CONFLICTS OF INTEREST

3.1.1 A director or executive shall avoid placing himself into a situation in which his personal interest is in conflict with the duties of his position.

3.1.2 To be applicable under the terms of this Code, the interest held by a director or executive in another enterprise must be such that it is likely to conflict with the performance of his duties within the Corporation or any of its subsidiaries. A director or executive who has an interest in an enterprise is in a situation of "conflict of interest" in the following cases, among others:

- if Loto-Québec or any of its subsidiaries has or is likely to have a significant business relationship with the enterprise, that relationship being significant both for Loto-Québec and for the enterprise;
- if the enterprise is a listed company and its business relationship with Loto-Québec or any of its subsidiaries is likely to have an effect on listed shares;
- if the interest of the director or executive in the enterprise that has a business relationship with Loto-Québec or any of its subsidiaries is such that it may influence the enterprise's affairs;
- if the enterprise has signed a contract with Loto-Québec or any of its subsidiaries and this contract is such that it has an impact on the enterprise's assets;
- if the enterprise is awarded a contract for which the director or executive has been involved in the choice of supplier.

3.1.3 A director or executive who is party to a contract with Loto-Québec or any of its subsidiaries other than his contract of engagement is also considered to be in conflict of interest.

3.2 DISCLOSURE AND ABSTENTION

3.2.1 A director or executive who:

a) has a direct or indirect interest in an enterprise that places him in a situation of conflict of interest under section 3.1.2 of this Code

or

b) is party to a contract with the Corporation or a subsidiary under section 3.1.3

shall disclose the nature and extent of his interest in writing to the Chairman of the Board. A director shall also abstain from deliberating or voting on any question linked to this interest and refrain from attempting to influence the related decision. He shall withdraw from the meeting while deliberations and voting on this question continue.

3.2.2 A director or executive shall make the disclosure required in section 3.2.1 as soon as he has knowledge that he is in a conflict of interest under sections 3.1.2 and 3.1.3. In the case of a director, this disclosure of interest shall be recorded in the minutes of the proceedings of the Board of Directors, of which he is a member.

3.2.3 A director or executive shall notify the Chairman of the Board in writing of any rights that he may invoke against the Corporation or any of its subsidiaries, indicating their nature and value, as soon as these rights come into existence or when he acquires knowledge of them.

3.2.4 A director or executive shall also submit an attestation in the form provided to the Chairman of the Board by June 1st of each year in which he remains in office.

3.2.5 The Chairman of the Board submits the attestations referred to by these sections to the Secretary of the Corporation, who keeps them at the disposal of the members of the Board and the executives. These attestations are treated as strictly confidential.

3.3 WAIVER

3.3.1 This Code does not apply to:

a) owning securities when the size of the holding is not likely to place the director or executive into a conflict of interest;

b) owning an interest by way of a mutual fund in whose management the director or executive plays no direct or indirect role;

c) owning interests through a blind trust whose beneficiary may not know its make-up;

d) owning a minimum number of shares required to be eligible as director of a corporation;

e) an interest which, by its nature and extent, is common to the public at large or a particular sector in which the director or executive operates;

f) a directors' liability insurance agreement;

g) the owning of shares issued or guaranteed by a government or municipality under the same conditions for everyone.

4 EFFECTIVE DATE

4.1 This Code takes effect September 1, 1999.

Language Policy

In accordance with the Government's policy on the use and quality of French in public administration, on November 24, 2000, the Corporation adopted a language policy that reflects its business mission and covers the use and quality of French in each of its activity sectors. During the past fiscal year, Loto-Québec has attentively ensured the consistent application of this policy throughout the Corporation and its subsidiaries.

Policy for the Awarding of Contracts

Loto-Québec's policies and procedures for the awarding of contracts clearly demonstrate the Corporation's commitment to effectively assuring the transparency and integrity of its purchasing and supplier selection. While providing valuable support to its subsidiaries, Loto-Québec's corporate structure ensures that its policies and procedures in place within all its activity sectors are rigorously respected. Moreover, with the more diversified goods and service purchases required for the Hilton Lac-Leamy Hotel complex this past fiscal year, the Corporation has further optimized its management practices and processes related to purchasing activities.

HEAD OFFICE
500 Sherbrooke Street West
Montréal, Québec H3A 3G6
Tel.: (514) 282-8000
Fax: (514) 873-8999
Web Site:
www.loto-quebec.com

QUÉBEC CITY OFFICE
955, chemin Saint-Louis
Québec City, Québec G1S 4Y2
Tel.: (418) 686-7575
Fax: (418) 643-2690

LA SOCIÉTÉ DES CASINOS DU QUÉBEC INC.
500 Sherbrooke Street West
15th Floor
Montréal, Québec H3A 3G6
Tel.: (514) 282-8080
Fax: (514) 864-1886
Web Site:
www.casinos-quebec.com

LA SOCIÉTÉ DES LOTERIES VIDÉO DU QUÉBEC INC.
500 Sherbrooke Street West
16th Floor
Montréal, Québec H3A 3G6
Tel.: (514) 282-8090
Fax: (514) 864-3283
Web Site:
www.loterie-video.qc.ca

LA SOCIÉTÉ DES BINGOS DU QUÉBEC INC.
500 Sherbrooke Street West
12th Floor
Montréal, Québec H3A 3G6
Tel.: (514) 282-7777
Fax: (514) 864-7332
Web Site:
www.bingo-quebec.com

INGENIO, FILIALE DE LOTO-QUÉBEC INC.
500 Sherbrooke Street West
20th Floor
Montréal, Québec H3A 3G6
Tel.: (514) 282-0210
Fax: (514) 282-2028
Web Site:
www.ingenio-quebec.com

REGIONAL CENTRES

MONTREAL AND NORTHWESTERN QUÉBEC
Pierre Valcourt
Director of Sales
1945 Maurice-Gauvin Street
Laval, Québec H7S 2M5
Tel.: (450) 682-2525
1 800 361-9026
Fax: (450) 687-4818

MONTRÉAL AND SOUTHEASTERN QUÉBEC
Ginette Morin
Director of Sales
325 Bridge Street
Montréal, Québec H3K 2C7
Tel.: (514) 409-3190
1 800 361-1244
Fax: (514) 931-0655

QUÉBEC CITY AND EASTERN QUÉBEC
Jean-Pierre Des Chênes
Director of Sales
955, chemin Saint-Louis
Québec City, Québec G1S 4Y2
Tel.: (418) 686-7575
1 800 463-4560
Fax: (418) 643-2690

To obtain additional copies of this report in English or French, please contact:

LOTO-QUÉBEC
Communications and Public Affairs
500 Sherbrooke Street West, 14th floor
Montréal, Québec H3A 3G6
Tel.: (514) 282-8000

You may also consult the Annual Report on Loto-Québec's Web site at **www.loto-quebec.com**

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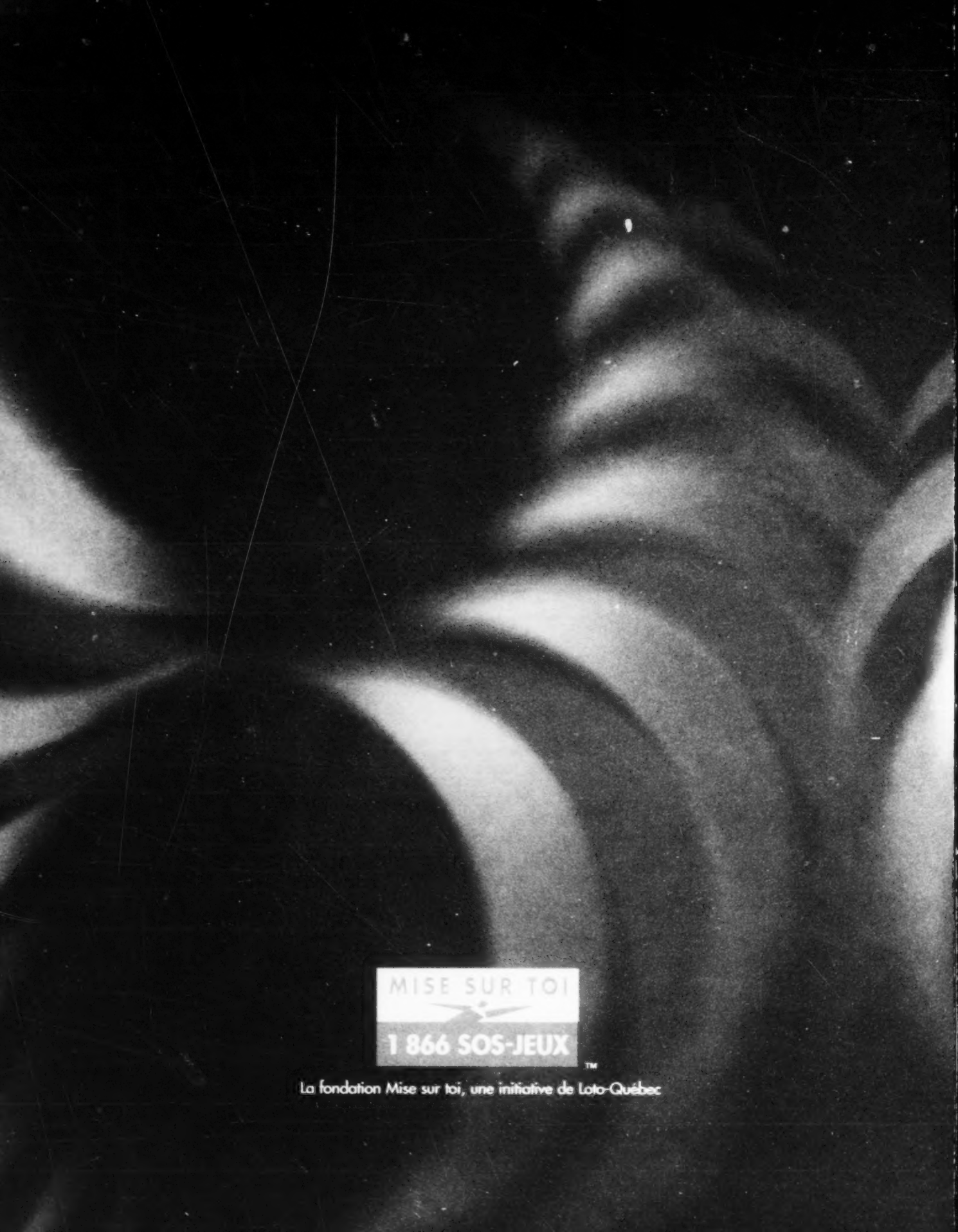
MISE SUR TOI
1 866 SOS-JEUX
La fondation Mise sur toi, une initiative de Loto-Québec